



2016



Protecting Canadians through Innovation

The latest from Canada's home, auto and business insurers

IBC  BAC

Building Resilience – The Canadian Way

Canada's home, auto and business insurance industry strives to improve the ability of Canadians to manage risk by providing affordable insurance coverage. The industry works with governments on a range of public policy issues, demonstrating leadership by promoting practical solutions. For example, as Canadian governments tackle climate change head-on, the home, auto and business insurance industry is actively supporting their efforts and looking for ways to help.

More than a decade ago, insurers were among the first to recognize the cost to Canadians of climate change, related to our worsening weather. Weather-related insurance claims in Canada have risen steadily from an average of \$101 million annually (1983 to 2008) to an average of \$709 million annually (2009 to 2015), all in 2014 dollars. The insurance industry is one of the most accurate, reliable sources of data on the economic impact of climate change.

While governments focus largely on mitigation, insurers are applying their expertise to help Canadians adapt to weather extremes. Adaptation and mitigation, together, will reduce risk for Canadians in the coming decades.

Of particular interest is Insurance Bureau of Canada's (IBC's) proposal for a national flood program. This includes plans for flood mitigation and residential flood insurance

that would provide coverage to all Canadians, including those with the highest risk. IBC President and CEO Don Forgeron's call for this program in Edmonton last fall was widely covered by national media. And IBC has commissioned the most up-to-date flood maps for the whole country to support this work.

IBC has also conducted extensive research on how climate change affects municipalities. This includes looking into why municipalities need infrastructure support from provincial and federal governments.

Canadians can count on access to widely available insurance at affordable prices. However, cost pressures in the system have begun to undermine the affordability of auto insurance in three provinces – Ontario, Alberta, and Newfoundland and Labrador. IBC is sharing its data with these provincial governments in



an effort to correct the systems before these pressures adversely affect consumers in those provinces.

We're also protecting consumers by launching new efforts to combat insurance crime (especially cargo theft) and by working collaboratively with law enforcement agencies across Canada.

A robust private insurance industry that offers consumers a wide range of risk protection for their homes, cars and businesses at affordable premiums is vital for a robust economy.

In 2014, more than 200 insurance companies, which employed 120,200 Canadians, paid \$8.2 billion in federal and provincial taxes and levies.

This supports Canada's economic development and business.

Canada's home, car and business insurance industry is an important and integral part of the country's economy. It is also a key driver of innovation that improves the lives of all Canadians. The industry is committed to continuing its work with stakeholders and all levels of government on solutions that benefit Canadians.

Craig Stewart,
Vice-President, Federal, IBC



Preparing for an Earthquake

As part of its Natural Catastrophe Strategy, IBC is focusing on the effect of a major earthquake on the Canadian economy, and the current lack of a national financial recovery plan.

IBC is sharing its research with the federal government and the provincial governments of British Columbia and Quebec, where the risk of earthquakes is the greatest. It is also calling for cooperation among businesses and governments to reduce those risks.

During BC's Emergency Preparedness Week in May 2015, IBC partnered with the provincial government, several municipalities and FortisBC to bring to the region the Quake Cottage, a portable earthquake simulator. The simulator garnered lots of attention at events across the province.

In October 2015, IBC joined with provincial and city politicians in British Columbia in the Great BC ShakeOut earthquake drill. IBC is a presenting

sponsor of this annual event, which set a new record last year with over 785,000 participants. Every media outlet in the Greater Vancouver Area covered the event.

IBC also supported the Quebec ShakeOut event, which began in 2013 and has been growing in attendance every year.

Also in fall 2015, IBC held an earthquake symposium in Montreal, bringing together more than 110 insurance, government and emergency management officials to discuss earthquake risk and preparedness and to foster collaboration among agencies. This event followed on from an earthquake symposium held in Vancouver in 2014.

Gregor Robertson, Mayor of Vancouver, and Bill Adams, IBC's Regional Vice-President, Western and Pacific, meet the press as part of the 2015 Great BC ShakeOut. IBC was a presenting sponsor of the earthquake awareness event, which had record attendance and media coverage.





Let's Keep Auto Insurance Affordable for Canadians

Auto insurance keeps Canadians moving and boosts the economy

More than 109 private insurance companies provide coverage for more than 11 million cars across the country – protecting drivers, passengers and pedestrians, as well as repairing vehicles when they're damaged. In addition to these private insurers, government-owned insurers in British Columbia, Saskatchewan, Manitoba and Quebec provide mandatory components of auto insurance in those provinces.

In Canada, each province has its own regulations governing the auto insurance industry. A key priority for IBC is to ensure that consumers are well served by sustainable auto insurance systems in all provinces. To achieve this goal, the association works with provincial governments and their regulatory bodies to advocate for appropriate regulation that offers consumers choice, promotes insurance industry innovation in response to rapid technological change and encourages healthy competition.

For instance, IBC and its members are taking an active role in the Ontario government's review of the Financial Services Commission of Ontario (FSCO), which oversees auto insurance in the province. IBC is encouraging the review panel to recommend modernization of the regulator to make it more nimble in response to changing consumer needs. Currently in Ontario, insurance companies can't even lower their rates without FSCO's prior approval.

Collaborating to Adapt to Climate Change

IBC shares Canadians' concern with climate change; we need to adapt to increasingly severe weather events related to rising temperatures.

In ongoing meetings with elected officials and senior government stakeholders, IBC shares its research about the effects that increasingly severe weather related to climate change has been having on Canadians. The association has also shared a potential solution: a made-in-Canada proposal for a national flood program.

IBC's most recent research includes the following:

- ▶ *A Primer on Financial Risk from Natural Disasters: The Case for Public-Private Collaboration*, which explains how a partnership
- ▶ *The Financial Management of Flood Risk – An International Review: Lessons Learned from Flood Management Programs in G8 Countries*;
- ▶ *Reducing the Fiscal and Economic Impact of Disasters*, which examines the effect of natural catastrophes on government budgets and economic performance; and

between government and the property and casualty (P&C) insurance industry can result in quicker economic recovery after a large disaster;

Don Forgeron, President and CEO, IBC, spoke at the Economic Club of Canada in Edmonton on the costs of climate change and the need for a collaborative national flood program.



- ▶ The Economic Impacts of the Weather Effects of Climate Change on Communities, which is an analysis of the estimated significant costs of severe weather events in the future.

Canada needs a national flood program

Building on its recent research, IBC is proposing a national flood program designed as a shared solution involving governments, the insurance industry and consumers. The program includes flood mitigation and a residential flood insurance plan that protects all Canadians – even those at highest risk for overland flooding.

In November 2015, IBC President and CEO Don Forgeron spoke to an audience of business and government leaders at an Economic Club of Canada event in Edmonton. There, he outlined the significant costs of climate change to taxpayers, governments and businesses. He also made the first public announcement of the P&C insurance industry's support for a collaborative national flood program.

The Canadian government has shown interest in IBC's proposed flood program, which would protect the country's highest-risk homes without putting an unfair financial burden on those who live in lower-risk areas.

In November 2015, IBC co-chaired with Public Safety Canada the National Round Table on Residential Flood Insurance. The Calgary event included representatives from eight provinces, five federal departments and 10 insurance companies and associations.

IBC is also supporting provincial governments in their efforts to tackle climate change. In November 2015, Alberta announced a major climate change plan and budget. This included significant investments in sewer and stormwater management, flood recovery and mitigation projects.

IBC supported the Alberta government's effort with:

- ▶ a presentation to the Canada Climate Summit in Edmonton, which garnered positive media attention; and
- ▶ meetings with provincial and municipal elected officials at the Canada Urban Municipalities Association conference in Calgary.

A new tool for municipalities

IBC's municipal risk assessment tool (MRAT) will soon be automated and available to municipalities across the country. MRAT assesses the effect of severe weather on cities' sewer and stormwater infrastructure.

Fostering Resiliency in Canadian Communities

Every year, severe weather takes a devastating toll on our communities. Lives are disrupted, property is destroyed and businesses are damaged. In 2015 alone, the industry paid out \$620 million to policyholders for losses related to severe weather across Canada.

The P&C insurance industry takes seriously its responsibility to educate consumers about how insurance works and how to choose the right coverage for their needs. Before a potential disaster occurs, the industry informs consumers about preventing damage to their homes, businesses and communities. Simple measures to prevent flooding (such as re-grading lots, waterproofing foundations or installing backflow valves in pipes) can make buildings more resilient to water damage. And if a disaster does happen, insurers help victims recover and rebuild.

IBC uses many avenues to conduct community outreach and share its messages with consumers. For example, IBC's work in 2015 included the following:

- ▶ Issued regular media releases in response to severe weather events in all regions across the country. These releases offered consumers advice about making claims, as well as information on resiliency and adaptation to climate change;



Nationally, IBC reached millions of Canadians with its messages, which included:

- ▶ Responding to over **47,000** inquiries through our Consumer Information Centre
- ▶ Issuing **118** media releases, generating **3,570** articles
- ▶ Hosting more than **550,000** visits to ibc.ca
- ▶ Receiving **98 million** Twitter impressions, with over **11,300** Twitter followers
- ▶ Responding to **720** media calls
- ▶ Participating in **124** events, speaking engagements and sponsorships
- ▶ Sharing statistics and other information on Twitter to help consumers make informed choices.



Supporting Strong Communities

The P&C insurance industry believes in building strong communities and working with like-minded partners to ensure a resilient and thriving Canada.

Here are some examples:

- ▶ In Nova Scotia in 2015, IBC participated in the *Atlantic Flood Management Conference* on tools and approaches to flood management at the municipal level in Atlantic Canada.
- ▶ In Ontario, IBC partners with local fire departments and other agencies to distribute carbon monoxide detectors to communities throughout the province. Since the project began three years ago, IBC has visited 55 communities and distributed 5,500 detectors.
- ▶ In Alberta, starting in April 2016, IBC experts will travel to over 20 communities across the province, offering practical tips and tools on insurance, road safety and emergency preparedness. The impact of severe weather continues to grow, and the need for education about how residents can protect their families and belongings grows with it. This outreach program is also a great opportunity to help Albertans better understand insurance, how their coverage works and how they can save money.



IBC partnered with local fire departments to distribute carbon monoxide detectors in Ontario communities.



Steve Olmstead, Manager, Government Relations, IBC, discusses flood risk solutions at the Atlantic Flood Management Conference.

Fighting Insurance Crime

Insurance crime comes in many forms – from staged collisions to auto theft. Although it is often the work of organized groups or gangs, insurance crime is also committed by normally law-abiding people who pad otherwise legitimate insurance claims to make a few extra dollars.

Cargo theft is a unique insurance crime that occurs when highly organized criminals steal trucks and transport trailers filled with valuable merchandise that they sell through sophisticated distribution networks – often long before the theft is even reported. For criminals, cargo theft is a low-risk, high-reward business with no geographic borders. Criminals often use the proceeds of cargo theft to fund other forms of crime, including gun smuggling and drug trafficking.

According to the Canadian Trucking Alliance (CTA), cargo theft currently costs Canadians up to \$5 billion a year. It is also increasing quickly, especially in transportation hubs in Western Canada, southern Ontario and Montreal.

In 2014, IBC partnered with CTA and law enforcement agencies to launch a cargo theft reporting program. And in 2015, IBC expanded program to Atlantic and Western Canada, in partnership with local law enforcement and provincial trucking associations. The program brings together these three groups and other stakeholders to raise awareness of the dangers and costs associated with

cargo theft and to help recover stolen goods.

This increase in communication among stakeholders has already paid off in other parts of Canada and led to the recovery, in 2015, of property valued at more than \$10 million. Together with its partners, IBC is committed to making cargo theft a thing of the past.

Crackdown

on cargo theft

Low-risk, high-reward, appeals to organized crime
Often goes **unreported**, making property recovery and prosecution difficult

National reporting program

- In 2014, with the trucking industry, IBC launched a **national cargo theft reporting program**.
- The program connects insurers, law enforcement and the trucking community to help recover stolen goods.
- Insurers and trucking association members can report cargo losses at www.ibc.ca
- IBC analyzes the data and shares it with a national network of law enforcement partners, including Canadian and U.S. border service agencies.
- To date, the program has helped in the recovery of **\$8 million** in stolen property.

To learn more, contact:
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IBC **BC**

Government of Ontario

Promoting Insurance Education

When people buy insurance policies, they put money into a pool to help the few people who will suffer a financial hardship (as a result of a house fire, auto collision or business interruption, for instance) during that year.

A premium is based on the likelihood that the purchaser will collect from the pool by making a claim. Insurers use extensive data and historical trends to produce fair and accurate rates.

Questions to Ask an Insurance Representative:

Home

- ▶ What does my policy cover? What are the limits? Are there any exclusions?
- ▶ Is there a specific kind of insurance for a house? A condo? An apartment?
- ▶ Do I present risks that limit me from buying insurance?
- ▶ Is optional coverage available for risks not normally included in a regular policy?
- ▶ What can I do to keep my premiums down?

Auto

- ▶ What does my policy cover if I'm involved in a collision?
- ▶ What optional coverage is available?
- ▶ Should I have collision insurance on an older car?
- ▶ What deductible amount is recommended?
- ▶ What can I do to keep my premiums down?

Business

- ▶ What kind of insurance do I need?
- ▶ Does my business present risks that limit me from buying insurance?
- ▶ If my business is home-based, do I need special coverage?
- ▶ What does errors and omissions or malpractice insurance cover?
- ▶ What can I do to keep my premiums down?

Demystifying Insurance

Even though insurance is important to their financial security, consumers are often unsure about what a premium is and how it is calculated. Here are some factors that insurers use to set premiums.

Auto insurance:

- ▶ Claims history of policyholder
- ▶ Driving record of policyholder and other household drivers (e.g., at-fault collisions, moving violations, etc.)
- ▶ Vehicle type (make, model, year, etc.)
- ▶ Vehicle repair cost and/or replacement value
- ▶ Collision and crime rates where vehicle is usually parked
- ▶ Driving distance and frequency
- ▶ Additional coverage, deductible and discounts

Home insurance:

- ▶ Age, size and location of residence
- ▶ Types and quality of finishes and materials
- ▶ Residence replacement cost
- ▶ Residence type (single-family dwelling, apartment, etc.)
- ▶ Residence construction material used (brick, cement, etc.)
- ▶ Distance from fire hydrant and fire station
- ▶ Claims history of policyholder
- ▶ Crime rates of residence location
- ▶ Additional coverage, deductible and discounts

Discounts may be offered for:

- ▶ Combined coverage for existing insured clients (e.g., auto and home insurance)
- ▶ Policyholders who have never filed an insurance claim
- ▶ "Loyalty" for policy renewals by existing insured clients, subject to insurer's criteria
- ▶ Vehicles with loss prevention devices
- ▶ Drivers who have graduated from approved driver training courses
- ▶ Insuring two or more private passenger vehicles in the same household
- ▶ Drivers over the age of 55
- ▶ Vehicles not used in winter

Contributing to Canada's Economy

Insurers are key contributors to Canada's economy, mitigating the economic effects of disasters. Insurance enables Canadians to recover from losses by absorbing financial risk. By investing in bonds and securities, the P&C insurance industry helps create employment and support growth. More importantly, insurance provides incentives for consumers to reduce their risks.

Here are highlights from 2014, our most recent data:



The P&C insurance industry **employed 120,200 people across Canada.**

Insurers paid **\$10.5 billion** in property losses alone - **\$6.2 billion** for personal property.



Personal property claims as a percentage of total claims have risen significantly during the last decade from **24.4% to 33.1%**



Insurers paid out **\$31.8 billion** in claims to victims of collisions, disasters and other losses in Canada.



Canadian insurers paid **\$8.2 billion** in taxes and levies to federal and provincial governments.



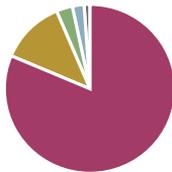
How the Insurance Dollar is Spent

Seven-year average, 2008–2014, as % of revenue



- Claims **55.9%**
- Operating expenses **20.6%**
- Taxes **15.9%**
- Profit **7.6%**

Breakdown of Industry Investments



- Bonds **81.5%**
- Shares **12.2%**
- Term deposits **3.0%**
- Other investments **2.4%**
- Mortgages **0.9%**

If you have questions, we can help.

IBC's Consumer Information Centre

Toll-Free: 1-800-377-6378

1-844-2ask-IBC (1-844-227-5422)

Hours: Monday – Friday, 9 a.m. – 5 p.m.

Visit www.ibt.ca

Follow us on Twitter: @InsuranceBureau

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IBC is the national industry association representing Canada's private home, auto and business insurers. Its member companies represent 90 % of the private P&C insurance market in Canada.



Data in this brochure come from several national and international sources, including IBC. Data are from 2014, 2015 or 2016 depending on when sources release their information. In some instances, figures may not add up to 100% due to rounding. Because sources collect data in different ways, there may be small differences among similar data.