Protecting Manitobans through Innovation

The latest from Manitoba’s home and business insurers
Building Resilience – The Manitoba Way

Manitoba’s home and business insurance industry strives to improve the lives of Manitobans by providing insurance coverage that is available and affordable. To this end, the industry works with government on several key public policy issues. It also takes a leadership role in promoting practical policy solutions to some of Manitoba’s most pressing issues.

For example, as the Manitoba government tackles climate change head on, the competitive home and business insurance industry is actively supporting its efforts.

More than a decade ago, insurers were among the first to recognize the cost to Canadians of climate change related to our worsening weather. In fact, the insurance industry is one of the most accurate, reliable sources of data on the economic impact of climate change.

Property insurance claims in Manitoba have risen steadily in recent years with most of the increase attributed to the increase in severe weather. Between 2010 and 2014, the average annual direct claims incurred were $193.8 million. This was 13.6% higher than between 2005 and 2009, 64.9% higher than between 2000 and 2004 and 73% higher than between 1995 and 1999.

Manitobans have a long history of dealing with extreme weather issues, including flooding.

While the governments’ climate change focus is largely on mitigation, insurers are applying their risk management expertise to help Manitobans adapt to these weather extremes. Adaptation and mitigation together will reduce risk for Manitoba residents in the coming decades.

Of particular interest to Manitobans is Insurance Bureau of Canada’s (IBC’s) proposal for a national flood program. This includes flood mitigation and residential flood insurance that would provide coverage to all Canadians, including those with the highest risk. IBC’s President and CEO Don Forgeron announced this program in Edmonton last fall. Finally, 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.

In addition to advocating for adaptation and mitigation efforts, the private insurance industry supports the local economy. In 2014, 113 private insurance companies across Manitoba employed thousands of residents and paid $150.1 million in provincial taxes.

Manitoba’s private home and business insurance industry is an important and integral part of the province’s economy. It is also a key driver of innovation that improves the lives of all Manitobans. The industry is committed to continuing to work with stakeholders and all levels of government on solutions that benefit Manitobans.

Bill Adams,
Vice-President, Western & Pacific, IBC
Forging Ahead to Adapt to Climate Change

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

To help Canadians build resilience in the face of natural disasters, the P&C insurance industry focuses on preparing before a severe weather event as well as responding afterward. We work with all levels of government on adaptation solutions. IBC is a strong advocate of better building codes, infrastructure investments and a natural catastrophe plan.

In ongoing meetings with elected officials and senior government stakeholders, IBC shares its research about the increasing effects that severe weather related to climate change have been having on Canadians, and the association’s made-in Canada proposal for a national flood program.

IBC’s most recent research includes:

- **A Primer on Financial Risk from Natural Disasters: The Case for Public-Private Collaboration**, which explains how a partnership between government and the property and casualty (P&C) insurance industry can result in quicker economic recovery after a large disaster;

- **The Financial Management of Flood Risk – An International Review: Lessons Learned from Flood Management Programs in G8 Countries; and**

- **Reducing the Fiscal and Economic Impact of Disasters**, which examines the effect of natural catastrophes on government budgets and economic performance.

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.
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 industry and consumers. The program includes flood mitigation and a residential flood insurance plan that protects all Canadians – even for those properties at highest risk of 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.

In September 2015, IBC co-chaired with Public Safety Canada a National Round Table on Residential Flood Insurance. The Western Canada event included representatives from eight provinces, five federal departments, and 15 insurance companies and associations.

Also in fall of 2015, IBC participated at the Manitoba Disaster Management Conference and shared information with attendees to help educate consumers on how property insurance works and what to do should severe weather hit.

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.

Earthquake recovery planning
As part of its Natural Catastrophe Strategy, IBC is focusing on risk of an earthquake to the Canadian economy and the lack of a national financial recovery plan. Although Manitoba is not likely to experience a major earthquake, it would be affected economically by a large quake as would all Canadian provinces. IBC is sharing its research with the federal government and the provincial governments of British Columbia and Quebec – where the risk of earthquake is the greatest. It is also calling for cooperation among businesses and governments to reduce those risks.
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 disaster occurs, the industry informs consumers about preventing damage to their homes, businesses and communities. Simple measures (such as re-grading lots, waterproofing foundations or installing backwater valves to pipes to prevent flooding) can make buildings more resilient to water damage. And if a disaster does happen, insurers help victims recover and rebuild.

In 2015, IBC’s messages reached millions of Canadians. The association:

- Responded to more than 7,100 inquiries from Western Canada through our Consumer Information Centre
- Issued 118 media releases, generating 3,570 articles
- Hosted more than 550,000 visits to ibc.ca
- Received 98 million Twitter impressions, with over 11,300 Twitter followers
- Responded to 720 media calls and participated in 249 events, speaking engagements and sponsorships
- Shared statistics and other information on Twitter to help consumers make informed choices.

Steering clear of wildfires.

#FireSafety
Insurance crime comes in many forms, including cargo 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 to 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, 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 December 2015, IBC expanded its cargo theft reporting program to Western Canada, in partnership with 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 of property valued at more than $10 million in 2015. Together with its partners, IBC is committed to making cargo theft a thing of the past.
## Insurance 101

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 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.

Insurers encourage all Manitobans to review their policies with their insurance representative at least once per year.

### Questions to Ask Your Insurance Representative:

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<tr>
<th>Home</th>
<th>Business</th>
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<tr>
<td>What does my policy cover? What are the limits? Are there any exclusions?</td>
<td>What kind of insurance do I need?</td>
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<tr>
<td>Is there a specific kind of insurance for a house? A condo? An apartment?</td>
<td>Does my business present risks that limit me from buying insurance?</td>
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<td>Do I present risks that limit me from buying insurance?</td>
<td>If my business is home-based, do I need special coverage?</td>
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<tr>
<td>Is optional coverage available for risks not normally included in a regular policy?</td>
<td>What does errors and omissions or malpractice insurance cover?</td>
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<tr>
<td>What can I do to keep my premiums down?</td>
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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.

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.)
- Types of residential construction material (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., business and home insurance)
- Policyholders who have never filed an insurance claim
- “Loyalty” for policy renewals by existing insured clients, subject to insurer’s criteria
Contributing to the Economy

Insurers are key contributors to Canada’s economy, mitigating the economic and fiscal 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 non-governmental P&C insurance industry employed **120,200 people** across Canada.
- Non-governmental 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%**.
- Non-governmental insurers paid out **$31.8 billion** in claims to victims of collisions, disasters and other losses in Canada.
- Canadian non-governmental insurers paid **$8.2 billion** in taxes and levies to federal and provincial governments.
Contributing to Manitoba’s Economy

Highlights from 2014:

There are **113** home and business insurance companies serving the province of Manitoba.

**Taxes:** $150.1 million

**Direct claims incurred:** $572.4 million (includes $83.9 million in liability and other types of coverage)

**Property claims paid:**
- **Personal:** $223.8 million
- **Commercial:** $260.7 million

**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. – 4 p.m.
Visit www.ibc.ca
Follow us on Twitter: @IBC_West

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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.