



Remarks by Sylvie Paquette

**2016 IBC Annual General Meeting
Sylvie Paquette, Chair of the Board,
IBC**



Good morning. It is a pleasure to be speaking at IBC's Annual General Meeting once again.

Last year at this forum I spoke about two important roles of IBC:

- To help Canadian insurers – all of us – to combine resources and collaborate to develop industry-wide solutions; and secondly
- To help us speak with one united voice.

I also talked about how our environment seems to be in a state of constant change and how the pace of change is speeding up.

That makes it even more difficult to work together. But it is absolutely necessary because when we combine resources and collaborate, we develop better solutions that benefit the consumer and are more likely to be welcomed by regulators.

That's what I said last year. Since then, our environment has become even more complex, and the need to improve how we work together has become even more urgent.

Let's look at some of the challenges we are now facing, starting with interest rates.

A few years ago, most of us thought rates would be on their way up by now. Instead, the Canadian five year bond rate is stuck at .5% and this is having a big impact on investment income.

Lower interest rates put a constraint on insurer profitability and unless underwriting income can be improved, capital is almost certain to move to more profitable markets.

Obviously this is an issue that affects all insurers. So it makes sense for us to work together with a consistent approach – through IBC – to educate all stakeholders on the factors underlying the cost of insurance. The case is so much stronger and credible when we speak with one united voice.

Evidence of this collaborative work was seen clearly in 2015 when IBC staff, working under Don's strong leadership, and with us, moved the industry's strategic priorities forward. For example, on the Ontario Auto file, there were many meetings with members, IBC staff and government which resulted in reforms being included in the 2015 budget to reduce injury claims costs.

In Alberta, that file moved forward as well, and I know that as a result of the hard work undertaken by many, we are now in negotiations with government on auto insurance and advising about potential solutions. We have also secured a 7% adjustment to the grid premium ceiling.

Let's switch to another, very different challenge we are tackling. We are all aware of the very real risk of a major earthquake in Canada.

What's relatively new for many of us is the understanding of how a catastrophic quake could drag down the whole industry through our PACICC commitments.

IBC has done an excellent job helping us address the industry risks and also in raising awareness and working with various levels of government towards a national earthquake strategy. It's clear to all of us that this is something we could not achieve individually.

Climate change is another challenge where IBC has rightly taken a leadership role, particularly in the development of a national flood program. We are, as everyone knows, the only G-7 country without such a program.

What's new is that a number of insurers have recently introduced their own flood programs. That's well and good. They've innovated and reacted to a need in the market.

But at the same time, I still believe we need a consistent solution for the entire Canadian market, including for high risk areas. That's why in this situation it makes sense to act together and support IBC's development of a national flood program in partnership with governments – one that will reduce potential customer confusion and aggravation when the next big flood hits, and ensure coverage across the country.

Another challenge we now face is the rapid emergence of the sharing economy. UberX and Airbnb are just the beginning. There are so many different models already here or on their way – everything from car-sharing, to food and package delivery, to skills trading, to couch surfing.

All of these have insurance implications. We can't let each and every one of them develop their own insurance approach. By being proactive through IBC, we can help develop a

regulatory framework for the providers and their customers and insurers. This will benefit the public by reducing confusion and encouraging those involved in such services to get the proper insurance coverage to protect themselves and their customers.

Underlying all the challenges I have discussed today, and there are many more I could have included, is the way consumers view us as an industry. I'm sure it's no surprise that surveys show that our products are viewed as overly complex and that we are not favourably perceived – well below other financial industries like Canadian banks and life companies.

How can we improve our image? It's not easy. But a big part of the answer is collaborating on solutions that are seen as clear, logical and beneficial by regulators and, most importantly, by consumers.

Our ongoing challenge is to work together more efficiently and effectively – to set targets and meet them. At times, we must be prepared to compromise. To accept solutions that aren't perfect, but that can be built upon and improved later on.

The one thing that is absolutely clear is that we that we must always keep the consumer at the forefront of our work.

As I stressed in my remarks last year, IBC is us and we are IBC. I know I've said it before – many, many times – we need our industry association. And we need to improve the way we work together through it.

What else would you expect to hear from the Chair of IBC?

On a final note, I would like to thank Don, his leadership team and all the dedicated and talented staff at IBC for their tremendous work over the past year, guided of course by the wisdom of the Board of Directors.

Thank you.