

2018 IBC Annual General Meeting

Remarks by Kenn Lalonde, Chair of IBC's Board of Directors

April 26, 2018
10:00 – 10:30 a.m.

Vantage Venues
27th Floor, Sun Life Financial Tower, Inverness Room
150 King Street West, Toronto

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Welcome, everyone. Bonjour chers collègues, et bienvenue.

It's a pleasure to join you this morning for IBC's annual general meeting in my role as board chair.

Unfortunately IBC President and CEO Don Forgeron wasn't able to be with us this morning. However, David McGown, IBC's Senior Vice-President of Strategic Initiatives, will deliver remarks on Don's behalf.

To start off, I'm going to walk you through a look-back from the past year with a focus on highlighting some of IBC's accomplishments and detailing a few of the challenges. Then I'll hand things over to David to talk through our strategic priorities.

I'll start with the numbers.

Industry results for 2017 showed a slight improvement over 2016. ROE increased to 6.8% – representing a modest increase of 1.2 percentage points. Still, the 2017 ROE sits well below the long-term industry average of about 10%.

The improvement in ROE can be attributed to lower Cat losses compared to 2016. However, that's a small consolation in light of the fact that 2016 marked the highest Cat losses in our industry's history.

And yet, even in the absence of a major Cat like the Fort McMurray wildfire, 2017 losses hit \$1 billion, which is why underwriting showed only modest gains. This serves to reinforce the fact that \$1 billion a year in Cat losses has become the new normal in Canada.

And as most of you know, a good chunk of that \$1 billion in insured Cat losses is a result of water damage and flooding.

Last spring, there was major flooding across Ontario and Quebec. Here in Toronto, properties on the Toronto Island were flooded and many public areas were closed to visitors for weeks. In Ottawa, serious flooding disrupted the lives of many and consequently caught the attention of federal politicians. This served to underscore insurers' message to the federal government that Canada needs a national flood strategy.

Even in this calendar year, April's ice storm in southern Ontario and western Quebec brought freezing rain, high winds, power outages and residential flooding to many communities.

Last year, across the country, we engaged in discussions about climate resilience specifically as it pertains to increased flooding. Core questions focused on:

- how do we collectively protect Canadians
- and, how do we reverse the trend in rising costs?

To get at the right answer, Canada's insurers are encouraging a "whole-of-society" approach. As an industry we're committed to working with government partners to ensure consumers are protected by affordable coverage within a healthy industry.

This implies a coordinated public and private effort, where governments, insurers and homeowners each bear some of the risk and receive some of the reward.

As insurers, our responsibility is to provide a robust suite of insurance products to help consumers manage their risk. Over the past three years, a number of Canadian insurers have introduced overland flood insurance as an additional option for residential insurance products. Take-up rates have started to increase. And strong competition within the industry is driving more insurers to enter the market; many have signalled plans to offer some form of flood insurance in the next 12 to 18 months.

In turn, we look to local, provincial and federal governments to complement the work of insurers by leading with good policy to reduce systemic risk. They can do this through:

- risk-based land use planning that keeps citizens out of harm's way
- improvements to aging sewer and stormwater infrastructure
- and, by tightening building codes.

And every homeowner has a responsibility to reduce their own risk. That can be as small as moving the precious family heirlooms off the basement floor to higher ground. Or it can be as large a decision as moving off of a flood plain. And as an industry we need to ensure we continue to raise consumer awareness around the risks.

On the federal side, some positive steps have been taken. For example, last November in Regina, the Honourable Ralph Goodale, Minister of Public Safety and Emergency Preparedness, hosted a national roundtable on flood mitigation, which included insurers.

And just this past month, IBC hosted industry roundtables at the Globe Leadership Summit for Sustainable Business in Vancouver and was pleased to welcome the Honourable Catherine McKenna, Minister of Environment and Climate Change, as a participant.

As well, IBC signed on to the United Nations Environment Program for Financial Institutions and, specifically, the Principles for Sustainable Insurance Initiative. This represents Canadian insurers' most recent effort to stand alongside international insurers and their commitment to take action on the increasingly large cost that climate change will have on a global level.

Coming up: federal, provincial and territorial ministers will be meeting in May and IBC is participating.

It's clear that on the issue of flooding, our industry is welcomed to the table to play a strong leadership role.

The same is true for the many issues that affect auto insurance, our major line of business and, in many ways, our most complex file.

The six provinces with private auto insurance systems all have structural issues that require product review, regular discussion with government around effective regulation and risk mitigation action.

Structural issues are not just limited to private auto insurance systems. Public insurers, such as ICBC, also face similar challenges.

On behalf of insurers, IBC serves as a strong advocate and industry partner for change and improvement. The recent introduction of the Fair Auto Insurance

Plan in Ontario is testament to the value and impact of effective advocacy and collaboration over many years.

Finally, I want to commend IBC for its proactive work on the industry's response to technological disruption that's having an impact on all aspects of our business. In close collaboration with our members, IBC is currently developing a framework for insuring automated vehicles. In creating this framework, IBC is providing leadership for the benefit of all Canadians as we make the transition to a future that includes automated vehicles.

And as the pace of disruption quickens, IBC will play a key role in sharing information – with all members large and small – about the risks and opportunities that new technologies present. I think we can all agree that creating a level playing field and creating space for agility and adaptability is vital to the overall health of our industry going forward.

I'll close with words of thanks to Don and the team at IBC. Don and IBC's management provide exceptional leadership on both national and international levels and our industry is much stronger for their efforts. And the hard work and dedication of the entire staff at IBC in supporting Don, our board and all of our members is crucial to our success on every file. On behalf of the board, I thank you.

And with that, I'll turn the microphone over to David McGown ...

Thank you.