



Annual General Meeting

Kenn Lalonde

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Vantage Venues

27th Floor, Sun Life Financial Tower, Inverness Room

150 King Street West, Toronto

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- Good morning. It's a pleasure to be here today as chair of IBC's board of directors.
- Bonjour. Je suis heureux d'être parmi vous aujourd'hui à titre de président du conseil d'administration du BAC.
- My task this morning is to give you an overview of the past year – 2018. IBC President Don Forgeron will then give us an overview of what our industry can expect in 2019.
- As everyone in the room knows, last year was not a good year for P&C insurance in Canada.
- In 2018, the net income of the Canadian property and casualty insurance industry declined by \$1.3 billion compared to the previous year.
- This decline was the result of a \$419 million underwriting loss and a record low rate of return on investments at 2.1%.
- Return on equity declined to 3.8%, the lowest in 16 years.
- Industry results in 2018 continued to be weak because of several factors: Soft investment returns; more severe weather events; and strains on auto insurance in almost every province of the country.
- In fact, combined ratios in auto were close to 100 per cent.

- Commercial insurance performance was significantly weaker than the previous year.
- Insured catastrophic losses were close to \$2 billion – about 60 per cent higher than in 2017 – even though we experienced no large event on the scale of the Calgary floods or the Fort McMurray wildfire.
- The sheer number of events put strain on our industry to respond to our consumers' needs as quickly and effectively as we would like.
- But we're all united in our effort to help return our clients to their daily routines.
- And we're all united in advocating for a whole-of-society approach to confronting the risk posed by the increasing number of natural disasters. Flood risk, for example, can most effectively be reduced if we bring everyone to the table – industry leaders, Indigenous leaders, and officials from all levels of government. And, of course, customers who are facing risk every day.
- Together, we need to make the right land-use and permit decisions. We need to stop putting people in harm's way in higher-risk locations across our country.

- IBC now sits on the National Advisory Council on Flood Risk and chairs the National Working Group on the Financial Risk of Flood and has been asked to define high-risk properties and assess different high-risk insurance pool models.
- At the same time, our industry is facing a number of issues that continue to evolve and IBC is working to ensure we are well-positioned to respond.
- Late last year, IBC released a position paper that identifies the changes that will need to be made to provincial insurance laws to accommodate autonomous vehicles.
- We often hear how safe vehicles with automated capabilities will be, but these capabilities come with risk. How will people know the limits of what the vehicle can do? How will drivers interact with the technology? How will drivers be prompted to take the wheel when needed?
- These risks require a different approach to vehicle safety standards. The insurance industry has a leadership role to play in pushing for updated safety standards for autonomous vehicles.
- This is a complex issue and I'm proud that IBC along with members have led the way on creating a framework for how the insurance industry will insure automated vehicles and serve the public good.

- Another issue of growing concern is cyber risk. Over the last year, IBC has continued to work to influence national and international public policy around cyber risk.
- IBC continues to take the lead in educating businesses – particularly small and medium sized businesses – on the risks and the insurance solutions available to them, and is continuing to reach out to Public Safety Canada with useful information.
- Finally, I'll touch briefly on reinsurance issues. Last June, the Office of the Superintendent of Financial Institutions proposed changes to the reinsurance framework that would have serious consequences for the industry. At the core of it, OSFI wants to substantially increase the amount of capital required to operate in Canada. IBC has encouraged OSFI to conduct a thorough review of the potential business and economic impacts of the proposed changes.

Before I hand things over to Don, who will talk about this in more detail, I have to make a comment about auto insurance.

- Auto insurance systems are challenged across the country. Almost every province with a private system, and one with a public, have structural issues that require review and reforms.
- Despite the challenges, healthy competition is alive and well in most markets. It remains a cornerstone of our industry.

- Our customers get it. They know that healthy competition is what ensures that our industry continues to innovate. And when companies innovate, it makes us all better as we rise to meet our consumers' expectations.
- So, let me finish by saying what an honour and a privilege it has been to chair the board during a period of such profound change. It's true that our industry is facing headwinds, but I believe we are well positioned to meet the many needs of millions of P&C insurance consumers.
- I want to thank the IBC team for your hard work. You are a talented group clearly dedicated to helping our industry improve and grow.
- And lastly, thank you to Don. Your strong leadership drives this organization to succeed. Our industry is stronger as a result.
- Thank you.