

Managing Risk in an Uncertain World



NEWS FROM QUEBEC'S HOME, CAR
AND BUSINESS INSURERS

PROVIDING PEACE OF MIND

These are uncertain times. From the global meltdown of 2008 to the debt crisis, there is a new atmosphere of turbulence across the world. Against this background, the property and casualty (P&C) insurance industry in Canada is a reliable force for stability.

The industry manages the risks inherent in home, business and automobile ownership. Without insurance, no modern economy can move forward. In Canada, the industry is a prudent investor and remains financially sound, in good times and bad. Beyond that, it creates tens of thousands of jobs, pays billions in taxes, and contributes to the economic health of urban and rural communities.

The insurance industry is an industry of Canadians for Canadians. Insurance representatives live and work in various communities across this country. Beyond the business of providing insurance, they help Canadians lead safer lives by educating on issues such as home and fire safety, driver distraction and adapting to severe weather.



Cover photo: Percé Rock, Gaspésie, Quebec

ENSURING CONSUMERS ARE PROTECTED

Insurance Bureau of Canada (IBC) advocates for competition and balanced regulation in auto insurance, to ensure affordability and availability of insurance for consumers.

With a decrease in premiums over the last seven years, Quebec's competitive auto insurance market clearly benefits consumers. In fact, Quebec enjoys the lowest auto insurance premiums related to property damage in Canada – in 2011, the average annual auto insurance premium totalled \$712.

Aside from healthy industry competition, IBC's members, together with *Groupement des assureurs automobiles*, help ensure that everyone has access to auto or home insurance.

This free assistance is just one of the services offered by the Insurance Information Centre's agents, who are on hand to provide information and support to consumers when purchasing insurance or settling a claim.

Together with the *Autorité des marchés financiers*, Quebec's auto insurers endeavoured to take on the huge task of simplifying the language used in the standard Quebec auto insurance policy, to make it as easy as possible for policyholders to understand.

Trend in average premium written in auto insurance for private passenger vehicles (all coverages)

Year	Quebec		
	P & C ¹	SAAQ ²	Total
2004	588 \$	130 \$	718 \$
2005	578 \$	130 \$	708 \$
2006	568 \$	130 \$	698 \$
2007	566 \$	130 \$	696 \$
2008	563 \$	144 \$	707 \$
2009	555 \$	160 \$	715 \$
2010	546 \$	174 \$	720 \$
2011	536 \$	176 \$	712 \$

Source: *Groupement des assureurs automobiles, Automobile Statistical Plan, 2010.*

¹ Material damage and civil liability – Private insurers

² Bodily injury - SAAQ

UNDERSTANDING INSURANCE



Insurance is about spreading risk. When consumers buy insurance, they put money into a pool with many others to help the few who will claim indemnity (residential fire, auto collision, business interruption, etc.) in that year. In addition to paying claims, their insurance company wisely manages that pool of money according to rules set out by the government.

Each consumer's premium is based on how likely it is that he or she may collect by making a claim in that year. For example, someone who drives 100 kilometres to work every day is more likely to have a collision than someone who only drives on weekends. Therefore, all other factors being equal, the person who drives more will likely pay a larger premium for auto insurance than the person who drives fewer kilometres.

Calculating how much insurance should cost is a complex task because insurers must set the price before knowing what costs they will incur. Insurers cannot know for certain ahead of time whether any one consumer will make a claim, or how much that claim may be. Therefore, the cost of premiums must be calculated based on predictions about what may be needed.

Insurers gather information that will help them set fair and accurate premium prices. See the list on the facing page for the main factors that help insurers set prices.

DID YOU KNOW?

- Water damage accounts for nearly half of the amount paid out in home insurance claims, well ahead of fire and theft.
- Quebec insurers pay out an estimated \$500 million in claims for water damage every year.

MAIN FACTORS AFFECTING INSURANCE PREMIUMS:

- Claims history of policyholder
- Driving record and demerit points of policyholder and other household drivers (at-fault collisions, moving violations, etc.)
- Type of vehicle (make, model, year, etc.)
- Repair cost and/or replacement value
- Collision and crime rate where vehicle is usually parked
- Driving frequency and distance driven
- Additional coverage/deductible/discounts
- Government regulations/taxes

MAIN FACTORS AFFECTING INSURANCE PREMIUMS:

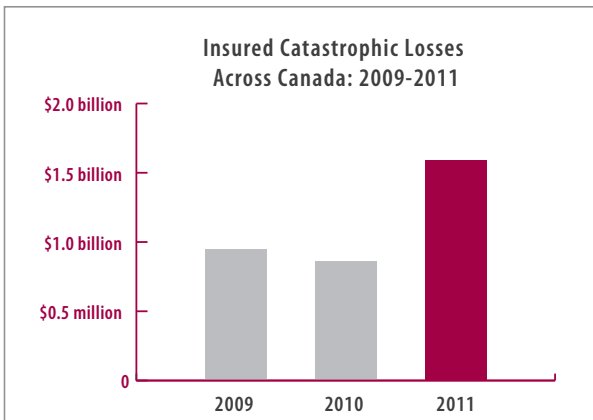
- Age, size, location of dwelling
- Replacement cost
- Type of residence (single-family dwelling, apartment, etc.)
- Construction material used (brick, cement, etc.)
- Distance from fire hydrant, fire station, etc.
- Claims history of policyholder
- Additional coverage/deductible/discounts
- Crime and fire rate of residence location
- Taxes

ADAPTING TO SEVERE WEATHER

Severe weather caused by our changing climate is a growing risk that disrupts lives, threatens communities, and costs billions.

Environment Canada reports that extreme weather events that used to happen every 40 years can now happen every six. This means more snowstorms, rainstorms, tornadoes and hurricanes. It also means more flooded basements, sewer backups and washed-out roads.

Insured losses from natural catastrophes are rising. For each of the past three years, they have been near or above \$1 billion in Canada. In 2011, losses hit **\$1.59 billion**.



Source: IBC with data provided by PCS-Canada. 2009-2010 figures adjusted for inflation.

ADAPTATION IS THE SOLUTION

In Canada, the P&C insurance industry leads adaptation strategies nationally by:

- Informing consumers on risk reduction and promoting practical solutions such as sewer backwater valves and rain barrels.
- Working with municipalities to design a municipal risk assessment tool (MRAT) to identify stormwater and sewer infrastructure weaknesses and help governments plan infrastructure investments.
- Advocating for inclusion of severe weather adaptation in the climate change strategies of governments at every level.

2011: SEVERAL REGIONS OF QUEBEC HIT BY MAJOR DISASTERS

Quebec was hit by several natural disasters in 2011, with floods, heavy rains, violent winds and tornadoes affecting a number of regions.

To help disaster victims get their lives back on track as quickly as possible, IBC worked closely with its members to inform policyholders of their coverage, provide steps for homeowners to take to avoid further damages and help facilitate the claims settlement process.

IBC also promoted the importance of emergency preparedness through an online campaign in partnership with the province's *ministère de la Sécurité publique*.



Floods in the Montérégie region, Quebec – Spring 2011

Steps that homeowners can take:

- Be prepared to deal with an emergency (for more information, download the brochure: **72 hours – Is your family prepared?**, available on infoinsurance.ca in the Documents section).
- Make an inventory of belongings (to download or order your copy, go to infoinsurance.ca).
- Make sure property is adequately insured.

PROMOTING CONSUMER AWARENESS AND EDUCATION

For several years, IBC has used various communications activities and tools to inform and educate Quebec consumers.

The core message of this annual education campaign is to 'be well informed and well insured'. The objective is to make consumers aware of the importance of preparedness before an accident or disaster happens. Throughout the year, consumer outreach activities were scheduled to provide accurate information on insurance, via web ads, partnerships, conferences and events, articles and media relations throughout Quebec.

www.infoinsurance.ca:
the reference for all insurance issues in Quebec

To clearly answer consumers' frequently asked questions, IBC redesigned its website: infoinsurance.ca. The new site candidly addresses issues of interest and provides lots of practical advice on buying insurance or settling a claim.

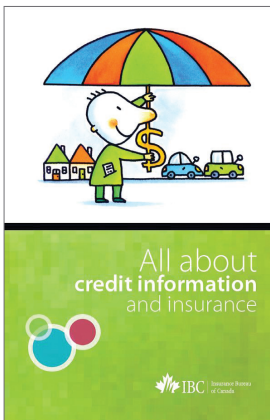
The screenshot shows the homepage of infoinsurance.ca. At the top, there is a green header with the logo 'infoinsurance' and the tagline 'The answer to your questions about insurance in Quebec'. Navigation links include 'ABOUT US', 'NEWSLETTER', 'CONTACT US', and 'FRANCAIS'. A search bar is located on the right. Below the header is a green navigation bar with categories: 'VEHICLE', 'HOME INSURANCE', 'BUSINESS', 'PREVENTION', 'NEWS', and 'DOCUMENTS'. The main content area features a large banner with the text 'Did you know?' and 'The POLICE do NOT establish the LIABILITY of EACH DRIVER' next to a police officer icon. Below this are two 'All about...' sections for 'Home Insurance' and 'Auto Insurance', each with an 'ORDER' button. A 'Popular content' section lists articles like 'Having trouble getting car insurance?' and 'Water damage: At the time of the loss'. A 'News' section highlights a January 30, 2012 article about 'Cahier Assurances Plus' and a November 17, 2011 article about 'Infoinsurance - be well-informed to be well-insured'. A 'Tools' section includes 'Newsletter', 'Joint Report', and 'Property inventory'. The footer contains contact information for the Insurance Information Centre (514.288.4321 | 1 877.288.4321) and logos for the Government of Quebec and IBC (Insurance Bureau of Canada).

KEEPING CONSUMERS A PRIORITY

Consumers often ask questions about insurance, whether about buying the right product, what their insurance covers or ways to reduce the risk of a loss or damage.

Through IBC, the P&C insurance industry helped consumers in many ways in 2011:

- Answering about **40,000** calls about insurance.
- Ensuring access to auto and home insurance products.
- Attracting over **350,000** visitors to the infoinsurance.ca web site, dedicated to auto and home insurance.
- Promoting various partnerships, such as *Protégez-vous*, to disseminate information and advice on P&C insurance.
- Working with the *Groupement des assureurs automobiles* to rewrite the Quebec automobile insurance policy in plain language.
- Providing brochures on insurance and loss prevention.



All about insurance and water damage

Given the importance of water damage, IBC produced a brochure to address the issue.

Available free of charge, the brochure provides advice on how to avoid or reduce the risk of water damage and also describes the coverage options offered by insurers.

All about your credit information and insurance

IBC also published a second brochure, entitled All about your credit information and insurance. This new guide explains why property and casualty insurers in Quebec use credit information as criteria in setting premiums.

ENRICHING THE ECONOMY

Insurance is a key driver of the economy. Without insurance absorbing financial risks, most people could not afford to drive a car, own a home or start a business.

In Canada, the home, business and auto insurance industry employed more than **114,000** Canadians, paid **\$7.4 billion** in taxes and levies to federal, provincial and municipal governments, and invested about **\$77 billion** in government and corporate bonds in 2010.

QUEBEC

186

Number of insurers licensed to sell P&C insurance in Quebec.

\$1.2 billion

Amount paid in 2010 by P&C insurers in taxes to the Quebec government.

\$4.3 billion

Amount of claims paid out in 2010 by P&C insurers to Quebec policyholders.

30,000

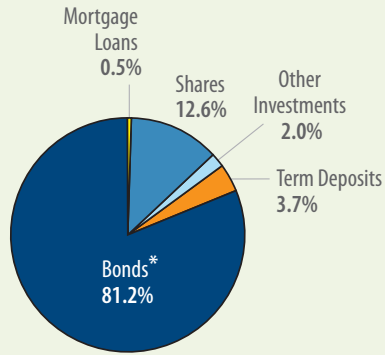
Number of Quebecers employed by the P&C insurance industry in Quebec in 2011.

Sources: Coalition pour la promotion des professions en assurance de dommages; Autorité des marchés financiers, Rapport annuel sur les assurances, 2010; Groupement des assureurs automobiles, Automobile Statistical Plan 2010.

INVESTING WISELY

Home, car and business insurers are safe investors. Since the bulk of their investment portfolios are in secure bonds, they are far less vulnerable to stock market fluctuations than other investors. This is why insurers weathered the 2008 economic crisis better than other financial services industries.

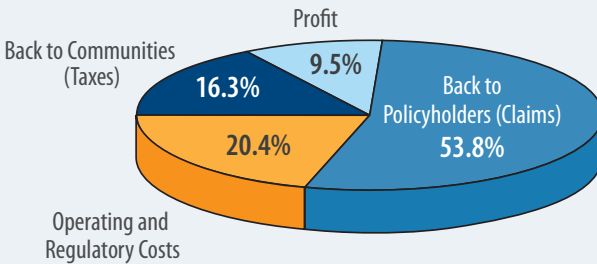
BREAKDOWN OF NATIONAL INSURANCE INDUSTRY INVESTMENTS



Source: IBC, MSA Research

*Mostly federal, provincial and municipal bonds.

THE INSURANCE DOLLAR – WHERE DOES YOUR MONEY GO? 7-YEAR NATIONAL AVERAGE [2005-2011]



Source: IBC, MSA Research

The chart above shows a national average profit of 9.5% over the course of the 7-year insurance cycle.



Johanne Lamanque,
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Insurance Bureau of Canada



Questions?
We're here to assist you.

Insurance Information Centre

Montreal area: 514-288-4321

Elsewhere in Quebec:

1-877-288-4321

Monday to Friday,
from 8.30 a.m. to 4.30 p.m.

www.infoinsurance.ca

For additional copies of this
brochure, please contact
IBC's Public Affairs Department,
at 514-288-1563, ext. 277.