



2017

## Property and Casualty Insurers: For **Everyone, Everywhere.**



An update from **Quebec's** home,  
auto and business insurers



**The year 2016 was challenging for Canadians from coast to coast. The most significant event was, without question, the wildfires that tore through Fort McMurray, Alberta, last spring. Thousands of homes and businesses were destroyed and tens of thousands of people were evacuated from their homes.**

There were also many severe weather events across the country, with several causing considerable damage here in Quebec. As the trade association for the property and casualty (P&C) insurance industry, Insurance Bureau of Canada (IBC) was there to provide assistance for residents during these difficult times. Whether residents communicated on site, online or by phone, they were able to rely on IBC and their insurers to help them recover.

IBC is working hard to help communities prepare for a disaster before it happens. With the federal and provincial governments jointly committed to this urgent long-term issue, IBC is proud to be working alongside them in developing innovative solutions to adapt to severe weather, prepare for natural disasters and mitigate the effects of climate change.

IBC's role includes:

- ▶ Advocating for a national strategy to address flood risk that includes improved building codes, infrastructure investments, risk assessment and flood mitigation
- ▶ Exploring possible solutions to the macroeconomic impacts and systemic financial risk that a major earthquake would cause
- ▶ Supporting the efforts of like-minded organizations to address the need for preparedness for severe weather and natural disasters
- ▶ Communicating extensively with provincial and municipal authorities, as well as other emergency management organizations.



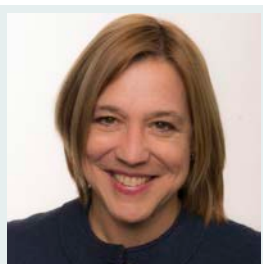
IBC also made strides to advance Quebec's earthquake preparedness in 2016. In collaboration with several municipalities, IBC orchestrated a consumer tour to increase earthquake awareness across the province.

In addition to climate change and disaster preparedness, the P&C insurance industry continues to work on a number of large-scale priorities, with an emphasis on innovating to adapt insurance to the sharing economy and disruptive technologies – topics of particular interest for both consumers and governments. Another example of IBC's adaptation efforts is reflected in its work to update the province's insurance claims forms to align with current realities.

Lastly, IBC relaunched its web-based and interactive campaigns to provide consumers with basic insurance knowledge to better inform their decisions.

This publication offers a succinct overview of the P&C insurance industry's contribution to the Quebec and Canadian economic landscapes, highlighting support the industry offers to consumers and governments alike.

**Johanne Lamanque**  
*Vice-President, Quebec*



# Emphasizing the Importance of Earthquake Preparedness

Earthquake preparedness has been one of the P&C insurance industry's priorities for some time, with several initiatives emerging in recent years. Throughout 2016, IBC continued to work to help Canadians better understand earthquake risk.

For the fourth consecutive year, IBC renewed its participation in the Great Quebec ShakeOut earthquake drill. With **45,000** registered participants in the province, the event provided an opportunity to practise "Drop, Cover and Hold On" – the life-saving actions to take when an earthquake strikes.

To further increase earthquake awareness, IBC partnered with the municipalities of Baie-Saint-Paul, Laval, Montreal, Trois-Rivières, Sherbrooke and Quebec City to bring a portable earthquake simulator, the *Séismobile*, to each of them. The 10-day tour was well-received, with **1,300** consumers experiencing a simulated 8.0-magnitude earthquake

for 30 seconds. The earthquake simulator encouraged consumers to give serious thought to their levels of preparedness for a major earthquake. The tour was a tremendous success and received significant media coverage, including over **30** features in print, on radio and on television, with a reach of over **1.5 million** people.

Despite IBC's efforts and Quebec's real risk of an earthquake as one of Canada's seismic zones, only 3% of homeowners in the province have added earthquake coverage to their home insurance policies.

IBC will continue with its earthquake preparedness initiatives in 2017.



Earthquake preparedness



The Quake Cottage

# Adapting to Severe Weather and Natural Disasters

## The disturbing trend of catastrophic natural events continued in 2016.

The country watched in horror as the largest evacuation due to wildfire in Canadian history was streamed live on the Internet. At its worst, the fire spanned about 590,000 hectares (1.5 million acres), an area larger than Prince Edward Island. The unseasonably warm temperatures coupled with a drier than usual winter created near-perfect conditions for the fire to grow.

Here are some of the efforts that IBC made, on behalf of the P&C insurance industry, to help residents:

- ▶ Dispatched IBC's Community Assistance Mobile Pavilion (CAMP) to provide onsite insurance support at evacuation centres
  - ▶ Embedded IBC staff in the Regional Emergency Operations Centre to ensure the distribution of accurate and timely communication
  - ▶ Facilitated early entry of insurance personnel to assist returning residents
  - ▶ Addressed insurance inquiries at eight information centres
  - ▶ Educated stakeholders, including the Wood Buffalo Recovery Committee, Chamber of Commerce and Canadian Red Cross, on insurance basics
  - ▶ Engaged residents in over 20 public sessions throughout the
  - ▶ Regional Municipality of Wood Buffalo and participated in all provincial and municipal town halls
  - ▶ Coordinated the cleanup, through local contractors, of nearly 12,000 contaminated refrigerators and freezers as the first priority in the overall debris removal process
  - ▶ Facilitated a coordinated mass demolition removal program using a local contractor to support the region's struggling economy.
- Moving forward, the P&C insurance industry is committed to sharing the lessons learned from Fort McMurray to inform future disaster and emergency responses. IBC is committed to working with governments of all levels on this shared priority.



Canada's costliest natural disaster left a desolate landscape of burned-out homes and vehicles in its wake.

# Focus on Consumers

IBC believes that an informed consumer is a well-protected one.

And IBC knows that in addition to being a trusted source, it's equally important to be visible and accessible to consumers in the forum of their choice. In 2016, the P&C insurance industry, through IBC, supported a number of initiatives and events, including the following:

- ▶ *The Immigration and Integration Fair*, an event in its fifth year, held at the *Palais des Congrès* in Montreal for newcomers to Canada. Attended by 9,000 visitors, the event offered IBC the opportunity to connect and exchange ideas about insurance with attendees in French, English and Portuguese.
- ▶ *Comité d'accueil international des Bois-Francs (CAIBF)*, a not-for-profit organization that provides support for the social integration of immigrants and refugees in Victoriaville and the surrounding region. At CAIBF's request, IBC spoke to an audience of Canadian newcomers about the importance and basics of insurance. Arabic, Spanish and Swahili interpreters were on hand to assist consumer information centre agents.
- ▶ *The Financial Services Symposium*, an event held at *Collège Montmorency* in Laval. IBC addressed students about P&C insurance products and services, as well as employment options in the insurance industry.



Financial Services Symposium



The Immigration and Integration Fair

# Keeping Property Insurance Affordable

Insurers have been facing higher costs for property insurance claims.

## ***Why are claims costs higher?***

- ▶ The increase in severe weather events brings more frequent and intense rain, snow and high winds.
- ▶ Inadequate and aging infrastructure can't handle the amount of water.
- ▶ More finished basements, with more expensive contents, cost more to replace.

## ***Will my premium go up even if I haven't made a claim?***

It depends. When people buy insurance policies, their insurer places the money into a pool to help the few individuals who will suffer a financial hardship – as a result of a fire, collision or business interruption, for example – during that year. A premium is based on how likely it is that the individual buying the insurance will make a claim and collect from the pool.

When total claims costs are expected to rise, insurers must collect enough premiums for the pool to cover the expected increase in payouts. Some insurers may increase premiums as a result.

## ***Could government regulation help to lower premiums?***

No. More regulation only adds more costs to the system. In a market where companies compete for business every year, premium costs will drop when claims costs drop.

## ***What's the solution?***

By adapting to severe weather, insurers, governments and homeowners can all do their part to help reduce claims – and premiums.

### ***Insurers are:***

- ▶ Encouraging governments to invest in infrastructure
- ▶ Working on a national strategy to address residential flooding
- ▶ Engaging consumers on how to protect their property.

### ***Communities can:***

- ▶ Upgrade municipal sewer and stormwater infrastructure
- ▶ Invest in flood defence infrastructure and restrict development in flood-prone areas
- ▶ Encourage innovative land-use planning (for example, using more green spaces to absorb rainfall).

### ***Homeowners can:***

- ▶ Install sewer backwater valves and sump pumps
- ▶ Fix foundation cracks and waterproof foundations
- ▶ Disconnect downspouts from municipal sewer systems and ensure water drains away from their homes
- ▶ Shop around for quotes from different insurers
- ▶ Check policies to ensure sufficient coverage.

# Helping Communities

In 2016, insured losses related to severe weather, including the Fort McMurray wildfires, reached a record-breaking \$4.9 billion, eclipsing the previous record of \$3.2 billion set in 2013.

In addition to providing financial security in the event of an insured loss, the P&C insurance industry plays an active role in informing consumers about preventive measures they can take.

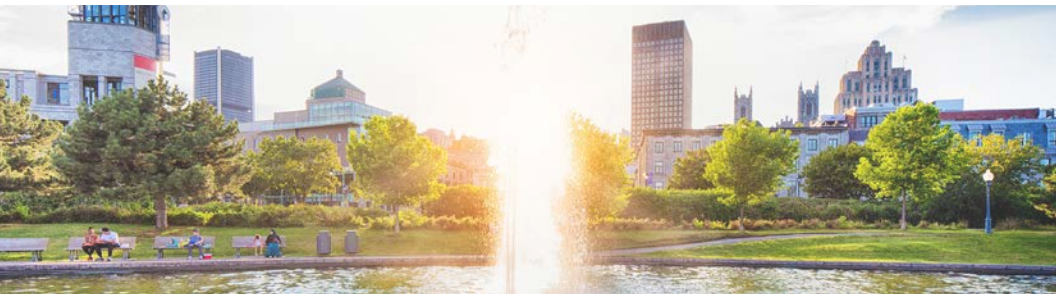
Here are some of the initiatives that IBC and the P&C insurance industry launched in 2016:

- ▶ A campaign to raise public awareness of severe weather events and related water damage, including articles showcased on the *Protégez-Vous*, Weather Network, Nightlife and *Publimaison* websites
- ▶ A Facebook contest to highlight the perils of water damage – the contest generated interest from 4,000 users, with a reach of 155,000
- ▶ Four television advertisements, broadcast via the Weather Network, to inform consumers on safety measures – between November 1 and December 31, 2016, the ad reached an audience of over 2,300,000 people
- ▶ A section on insurance, within the practical guide for condominium residents, entitled “*Le Guide pratique sur la copropriété*” – distributed by *Éditions Protégez-Vous*
- ▶ A brochure on insurance issues related to landslides for various at-risk municipalities and their citizens
- ▶ Development of a working group to facilitate industry adaptation to and consumer appetite for sharing economy choices
- ▶ Participation in the Union of Quebec Municipalities Symposium and the Quebec Federation of Municipalities Symposium with respective booths showcasing earthquake and disaster preparedness.

Image from  
Infoassurance.ca  
website







In addition, IBC connected with Quebecers by:

- ▶ Issuing **13** media releases
- ▶ Giving **221** interviews
- ▶ Answering **25,000** consumer inquiries through our Quebec Consumer Insurance Information Centre
- ▶ Posting **165** tweets, reaching **72,622** people via its account @BAC\_Quebec
- ▶ Connecting **1,017,266** individuals with insurance information on the Facebook page for its consumer information site, Infoassurance (the Facebook page is listed under the site's name in French, Infoassurance)
- ▶ Sharing nearly **515,250** pages of content, viewed by **222,000** visitors, at [www.infoassurance.ca](http://www.infoassurance.ca).



**BAC** @BAC\_Quebec · 24 oct. 2016

Les dommages causés par les tempêtes de vent sont-ils couverts?

#assurance

[bit.ly/2dD3djH](http://bit.ly/2dD3djH)



# Fighting Insurance Crime

Insurance crime comes in many forms – from staged collisions to auto and cargo theft.

IBC's Investigative Services team effectively fights against these crimes and their costly impact on Canadians. Using data analytics and years of expertise, the team is adept at identifying patterns and emerging trends in insurance crime. In addition, IBC supplies and shares intelligence and analysis with its members, trains law enforcement and industry colleagues, works to increase consumer awareness, and leverages strategic and long-term partnerships as part of its collective efforts.

The increase in information-sharing among stakeholders has resulted in several large gains against insurance crime. In 2016 alone, we made the following strides:

- ▶ Nearly **\$22 million** in stolen goods and vehicles were recovered through IBC's cargo theft reporting program.
- ▶ **208** charges were laid following investigations into injury fraud and auto and cargo theft.
- ▶ Four clinic principals in Toronto were convicted, and a Peel Regional Police officer was convicted and dismissed following two major injury fraud investigations. Prosecutions resulted in **\$600,000** in restitution, recovery and asset forfeitures, as well as jail terms of five years or longer for two offenders.
- ▶ IBC, in close partnership with one of its members, investigated a large-scale scheme involving fraudulent flood claims that showed signs of organized criminal activity. A criminal investigation is now underway.
- ▶ Cooperative investigations with Quebec agencies and IBC members led to search warrants, numerous charges and the recovery of over **\$2 million** in



Recovery of Stolen cars at the Port of Montreal



IBC at the Port of Montreal

stolen construction equipment and vehicles. In addition, investigations with the Canada Border Services Agency recovered **220** stolen vehicles and nearly **1,000** vehicle parts, totalling over **\$8.5 million** at the port of Montreal.

IBC is very much engaged in combatting auto and cargo theft. In 2016 alone, thanks in part to working partnerships with Canada Border Services Agency and other law enforcement agencies, IBC's Investigative Services recovered 220 stolen vehicles and vehicle parts, mostly from SUVs. Nearly 1,000 auto parts, consisting mostly of engines, doors and windows, were also found. More than \$8.5 million worth of vehicles and vehicle parts were

recovered at the port of Montreal and handed over to insurers.

In recent years, criminals have favoured the port of Halifax as a shipping export destination over the more high-profile port of Montreal – in fact, \$2 million in vehicles and vehicle parts originating in Quebec were recovered from the port of Halifax.

To raise auto theft awareness, IBC issued a press release listing the 10 most stolen vehicles in Quebec, generating considerable media interest with 20 articles.

Together with its partners, IBC is committed to making a significant dent in insurance crime.

# Promoting Financial Literacy

Home insurance protects homeowners from having to absorb a huge loss at once, often at a very difficult and emotional time.

With severe weather events on the rise across the country, it's more critical than ever for homeowners to ensure their property and contents are adequately insured. If an individual's home is damaged or destroyed, an updated inventory of its contents and their value will help the insurer determine the proper compensation.

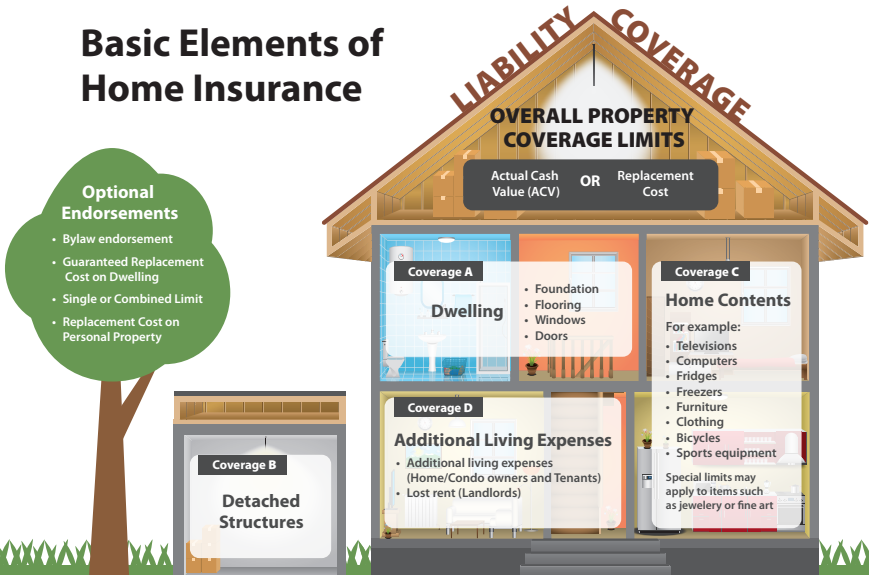
IBC is committed to its role in educating consumers about the basics of home insurance and empowering them to make informed decisions. When consumers know how their insurance works and purchase the right coverage, they can better protect themselves, their families and their property.

## Simplifying consumer contracts

In an effort to simplify the language used in insurance contracts, IBC reviewed all its Home Insurance Habitational Forms (*Formulaires d'assurance habitation du Québec*, or FAHQ). The forms are used by nearly all Quebec-based insurers and outline the minimum level of coverage that a policyholder may receive, in clear and specific terms. In addition, IBC crafted an overland flooding endorsement to address the needs of residents living near waterways.

The graphic below explains the basic elements of home insurance.

## Basic Elements of Home Insurance



Home insurance usually provides coverage for rebuilding on the same site, up to your policy's limit.

### A typical home insurance policy DOES NOT cover:

- maintenance
- property taxes
- condo fees
- mortgage payments
- the land

# Understanding Insurance

Insurers use extensive data and historical trends to produce fair and accurate rates. Here are some of the factors that insurers use to set premiums.

## Auto insurance

- ▶ Claims history of the policyholder
- ▶ Driving record of the policyholder and other household drivers (at-fault collisions, moving violations, etc.)
- ▶ Vehicle type (make, model, year, etc.)
- ▶ Vehicle repair cost and/or replacement value
- ▶ Collision and crime rates where vehicle is usually parked
- ▶ Driving distance
- ▶ Additional coverage, deductible and discounts

## 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.)
- ▶ Residence construction material used (brick, cement, etc.)
- ▶ Distance from fire hydrant and fire station
- ▶ Claims history of the policyholder
- ▶ Crime rates of residence location
- ▶ Additional coverage, deductible and discounts

IBC encourages consumers to speak to their insurance representatives about available discounts.

# Contributing to Canada's Economy

Insurers are key contributors to Canada's economy, mitigating the economic and fiscal effects of a disaster. 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.

## Industry at a Glance – 2015\*



The P&C insurance industry **employed 122,500 people across Canada**



Insurers paid out a total of **\$31.7 billion** in claims to victims of collisions, disasters and other losses in Canada



Of the \$31.7 billion in claims, insurers paid **\$9.8 billion** in property losses (includes residential and commercial properties)



Property loss claims as a percentage of total claims have risen – from **24.4% in 2004 to 30.9% in 2015**



Canadian insurers paid **\$9 billion** in taxes and levies to the federal and provincial governments

# Contributing to Quebec's Economy



In Quebec, there are close to **180** P&C insurance companies providing home, auto and business coverage to consumers.

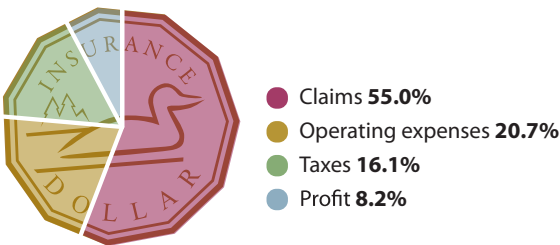
Highlights from 2015:

Direct claims incurred: **\$5.3 million**

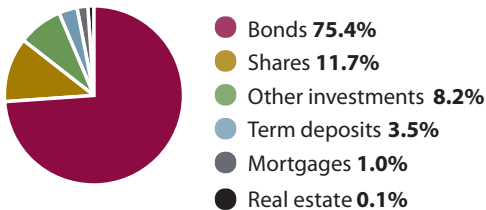
Taxes and levies: **\$1.7 million**

## How the insurance dollar is spent

7-year average, 2009–2015, as % of revenue



## Breakdown of industry investments, 2015



If you have questions, we can help.

**IBC's Consumer Information Centre**

Tel: 514-288-4321

Toll-free: 1-877-288-4321

Hours: M-F 8:30 a.m. – 4:30 p.m.

Visit [www.bac-quebec.qc.ca](http://www.bac-quebec.qc.ca) and  
[www.infoinsurance.ca](http://www.infoinsurance.ca)

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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 property and casualty insurance market in Canada.



Data in this brochure are from 2014, 2015 or 2016 depending on when sources release their information, and have been gathered from several national and international sources, including IBC. In some instances, figures may not add up to 100% as a result of rounding. Because sources collect data in different ways, there may be small differences among similar data.