



2016

# New Challenges, New Opportunities

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



IBC  BAC

Through the years, the insurance industry has continually evolved, tailoring its products to meet consumer needs. With today's new technologies, people have access to an almost infinite range of products and services. Changing consumer habits have impacted various insurance products, affirming the need for insurers to keep innovating and moving forward.

From the sharing economy to cyber risk, insurers continue to remain flexible and resilient to modern-day realities and the insurance issues associated with them. Some solutions were relatively easy to implement but others call for additional time and resources.

While the winds of change brought new challenges, Insurance Bureau of Canada (IBC) continued its efforts in key areas of interest throughout the year. Insurance for condominium, earthquake preparedness and severe weather adaptation remained central priorities. The year also saw the launch of a number of new information and awareness campaigns directed at various audiences.

As the industry's voice for over 50 years, IBC is a valued partner to governments of all levels, consumers and other stakeholders, and it is in that capacity that it brings its expertise to progress on complex issues such as disruptive technologies.

This brief publication summarizes our accomplishments in 2015, looks ahead to 2016, and illustrates the industry's significant contribution to the Quebec economy.



Johanne Lamanque  
Vice-President, Quebec, IBC

# Earthquake Preparedness: A Focus for 2015

Earthquake preparedness was an IBC priority in 2015. Numerous initiatives aimed at building resilience in Quebec, and among Quebecers, were rolled out at various times over the course of the year.

In addition to renewing its participation in Quebec's Great ShakeOut for a third consecutive year, IBC participated in annual meetings with municipal representatives across the province, and to raise awareness about earthquake risk and the potential costs associated with a large-scale event. IBC acted as industry spokesperson at the annual general meeting of the *Association de sécurité civile du Québec* (ASCQ), where one of the key themes was consumer perception of earthquake risk.

As part of its ongoing efforts to build earthquake awareness, IBC hosted its very first earthquake symposium in Quebec. The event was a resounding success, with over 110 attendees including expert speakers from multiple disciplines and representatives from the insurance industry, various government departments and cities across the province.

Guest speakers pointed to a number of possible solutions toward a more resilient Quebec. Following the numerous discussions spurred by each presentation, there is great interest in this issue, and a desire on everyone's part to take further action on earthquake preparedness in Quebec. In fact, 92% of symposium attendees indicated that they learned from this day, which speaks to the relevance of the event.

IBC plans to pursue its awareness initiatives among stakeholders and consumers. This will be no small task, particularly in light of the results of a 2015 IBC-commissioned survey which found that despite Quebec's location in one of Canada's two seismic risk zones, more than 90% of Quebecers "do not believe their home is at risk of damage from an earthquake". In this context, it is worth noting that only 3% of Quebec consumers have added earthquake coverage to their home insurance policies.

# Collaborating to Adapt to Severe Weather and Natural Disasters

To help Canadians build resilience in the face of severe weather and natural disasters, the P&C insurance industry focuses on preparing before such events occur and responding afterward to help people and communities recover. IBC works with all levels of government on developing ways to adapt to the increasing severe weather, and is a strong advocate for better building codes, infrastructure investments and a national natural catastrophe strategy.

In addition, IBC spearheads substantial research and awareness-raising projects to highlight the industry's innovative adaptation work. In 2015, IBC:

- ▶ Co-chaired the National Roundtable on Residential Flood Insurance with Public Safety Canada to discuss a collaborative flood program. IBC is also developing a made-in-Canada flood program that will protect the country's highest-risk homes without putting an unfair financial burden on those who live in lower-risk areas. Work on a fully costed model is already underway
- ▶ Released the study *The Financial Management of Flood Risk*, an international review of public and private flood-insurance programs in G7 countries to determine best practices and available models to implement in Canada
- ▶ Released the study *The Economic Impacts of the Weather Effects of Climate Change on Communities*, an analysis of the estimated significant costs of severe weather events in the future
- ▶ Released a report on a rain barrel study in Atlantic Canada to identify the impact of rain barrels as a proactive and simple solution to decreasing water damage in homes
- ▶ Worked toward a natural catastrophe strategy to allow insurers to better manage exposure to flood risk. The strategy also seeks a federal government financial threshold in the event of a major earthquake.



Don Forgeron President and CEO, IBC, addresses a media scrum.



Amanda Dean, Vice-President, Atlantic, IBC, participates in a panel with Newfoundland and Labrador Fire Chief Vince MacKenzie at the Red Cross Disaster Management Forum in Halifax, November 2015.

The success of our adaptation efforts depends largely on the strength of our partnerships. IBC remains focused on constructive discussions about how we can collectively work together to prepare Canadians for natural disasters, whether they are the results of climate change or not.



*“ There is tremendous value in a more collaborative approach between the private sector and different levels of government to solve a problem that has been growing in frequency and severity. ”*

**Don Forgeron**, President and CEO, IBC, on the need for a national flood program, at an Economic Club of Canada event in Edmonton in November 2015



# Fostering Resiliency in Canadian Communities

Severe weather continues to exact its devastating toll, battering our infrastructure, hurting communities and damaging properties. In 2015, the industry paid out a total of \$620 million to policyholders for losses related to severe weather. With each event, lives are disrupted, people are displaced, property is destroyed and businesses are affected.

Along with assisting to rebuild in the wake of disaster, the industry plays an active role in informing consumers about preventive measures they can take to make their homes, businesses and communities more resilient. This role includes reminding consumers of the improvements they can make, such as waterproofing foundations, installing backflow valves and regrading their lots.

On a broader level, IBC is committed to being a trusted information source. When Canadians know how their insurance works and purchase the right coverage, they can better protect themselves, their families and their property from severe weather. Keeping abreast of social media trends, IBC has strengthened its online presence to listen to, engage with and respond to consumers.



## Our consumer education outreach and efforts in 2015 included:

- ▶ Answering approximately **27,000** consumer inquiries through our Quebec Consumer Insurance Information Centre
- ▶ Providing **160** interviews to journalists
- ▶ Posting **200 Tweets** via the new @BAC\_Quebec Twitter account, reaching over **57,000** people
- ▶ Receiving nearly **110,000** visits to the Facebook page for IBC's consumer information website, Infoinsurance
- ▶ Hosting approximately **183,000** visitors to the Infoinsurance website, with more than **471,000** pages of content viewed
- ▶ Participating with the *Service de police de la ville de Montréal* and Quebec's Ministry of Public Security in a consumer awareness campaign to help prevent theft of personal belongings from vehicles
- ▶ Responding to over a dozen speaking engagements to a wide range of audiences.



# Innovating to Keep Consumers Informed

The P&C insurance industry plays a vital role in consumers' financial security, but that role is not always well understood. In an effort to dispel some of the myths around insurance and educate consumers about available options, IBC has initiated a number of information and awareness campaigns over the years. Several of these initiatives continued in 2015, with new ones also introduced, including:

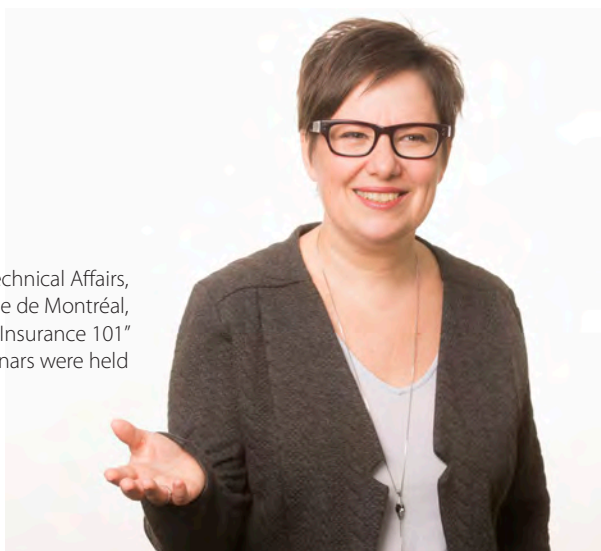
- ▶ A series of "Insurance 101" seminars developed and presented to:
  - The *Comité d'accueil international des Bois-Francs* for new Canadians.
  - The *Association de professionnelles et professionnels retraités du Québec* in the Quebec City region
  - The Grande Bibliothèque de Montréal, in a public forum
- ▶ An online information campaign aimed at informing condominium owners and corporations on the types of condominium coverage.

IBC articles included helpful information and prevention tips, and were featured on various real estate websites.

- A total of more than 53,000 pages were viewed in 2015 alone, with a projected increase expected
- ▶ An expansion of IBC's social media presence.

And the innovation doesn't stop there! A "live chat" consumer engagement option with Consumer Information Centre officers is in the works.

Line Crevier, Supervisor, Technical Affairs,  
at The Grande Bibliothèque de Montréal,  
where IBC's well-received "Insurance 101"  
consumer seminars were held





# Fighting Insurance Crime

Insurance crime comes in many forms, from staged collisions to auto theft. While it is often the work of organized groups or gangs, insurance crime can also involve normally law-abiding people who choose to seize the opportunity of making a few extra dollars by padding an otherwise legitimate insurance claim.

Cargo theft is a unique insurance crime. A lucrative business with no geographic borders, it offers low risks and high rewards. Highly organized criminals steal trucks and transport trailers filled with valuable merchandise and then sell the goods through sophisticated distribution networks, often long before the theft is even reported.

In 2015, IBC expanded its cargo theft reporting program to Atlantic Canada, in partnership with the Royal Canadian Mounted Police (RCMP) and the Atlantic Provinces Trucking Association. The program began in 2010, with a Canadian Trucking Alliance initiative to review the cargo theft problem. The program brings together the insurance industry, the trucking community, law enforcement and other stakeholders to raise awareness of the dangers and costs associated with cargo theft and to assist in the recovery of stolen goods.

The overall increase in communication and information-sharing among stakeholders has

also paid off beyond the cargo theft reporting program. IBC and Canada Border Services Agency seized 320 high-end stolen vehicles worth **\$10.7 million** and intended for export at the ports of Montreal and Halifax. More than 200 of the vehicles were recovered in Project CBG, resulting in 20 arrests and hundreds of charges. The total for all recoveries of stolen vehicles for 2015, including those seized at ports, was approximately **\$20 million**.

Other insurance crime initiatives include our Halifax and Montreal Ports Program. The program has been successful in recovering stolen vehicles, which in turn helps to keep insurance premiums stable. In 2015 alone, 76 stolen vehicles and vehicle parts were recovered at the port of Halifax, with 266 stolen vehicles and vehicle parts recovered at the port of Montreal, with a total value of **\$11,458,049**.

Together with its partners, IBC is committed to making insurance crime a thing of the past.

# Condominiums: Protecting Consumers and Their Property

Insurance for condominium corporations has become a real issue – both for consumers and for the P&C insurance industry. Water damage has been a growing problem in recent years. In fact, water damage accounts for 95% of all condominium claims. In many cases however, claims could have been avoided with proper preventive maintenance.

For this reason, IBC expanded its efforts in 2015 to encourage condominium owners and corporations to improve building management and maintenance, as a preventive measure.

In addition to a number of online campaigns and seminars designed specifically for condominium owners and corporations, IBC developed a fact sheet – available in electronic and postcard form – with useful insurance coverage information and claim prevention tips.

While the role of insurers is to help people recover in the event of a claim, concerted action by both condominium owners and corporations alike is needed to improve the current situation.

Canada's aging and inadequately maintained real estate inventory, coupled with poor construction quality, is putting consumers increasingly at risk. IBC has engaged condominium associations, specialized construction organizations and professional groups, on developing sustainable long-term solutions.

IBC has long advocated for legislative changes that would mandate the use of maintenance logs for condominium corporations and more stringent management rules for their contingency funds – recommendations that IBC has shared with the government and other stakeholders.

## ASSURANCE CONDO : DÉGÂTS D'EAU À LA HAUSSE



Faiblement assurés : les propriétaires et le thème de l'assurance au Canada

Depuis plusieurs années, les **dégâts d'eau** sont au régal des médias. Ils représentent le cas de réclamation le plus répandu des assurés résidentiels. Les dommages d'eau en mode chronique de 4 à 6 ans représentent plus de 10 % du total des sinistres déclarés par les assurés résidentiels.

Les sinistres d'eau sont les sinistres les plus coûteux pour les assureurs résidentiels. Ils représentent plus de 10 % du total des sinistres déclarés par les assurés résidentiels.

Les causes les plus fréquentes sont :

- 50 % : Infiltration
- 23 % : Inondation
- 6 % : Chaudière

En conséquence, les coûts des dommages d'eau sont en hausse constante et les primes d'assurance augmentent.

Les sinistres : des pertes énormes

Un sinistre d'eau peut causer des dommages matériels importants et des pertes financières importantes. Les sinistres d'eau sont les sinistres les plus coûteux pour les assureurs résidentiels. Ils représentent plus de 10 % du total des sinistres déclarés par les assurés résidentiels.

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## ASSURANCE CONDO

### ÊTES-VOUS BIEN COUVERT ?

## 25% DES COPROPRIÉTAIRES

ne savent pas qui veille à l'entretien et aux réparations de leur copropriété.<sup>1</sup>

C'est le syndicat de copropriété, formé par les copropriétaires, qui est responsable de l'entretien et des réparations, **donc vous!**



**50% DES COPROPRIÉTAIRES** ignorent quelles sont les protections incluses dans la police d'assurance du syndicat de copropriété.<sup>1</sup>

#### L'ASSURANCE DE VOTRE SYNDICAT DE COPROPRIÉTÉ COUVRE :

1

Le bâtiment lui-même, qui inclut les parties communes

4

Les biens qui lui appartiennent, comme le mobilier de terrasse

7

Doit inclure un avenant «valeur à neuf» pour le bâtiment.

2

La portion du bâtiment incluse dans chaque unité de chaque copropriétaire, comme les murs, les planchers ou les fenêtres

5

La responsabilité civile du syndicat (obligatoire)

★

Informez-vous de vos obligations et de celles du syndicat en matière d'assurance en lisant votre déclaration de copropriété!

3

Les aménagements originaux de l'unité

6

La responsabilité civile des administrateurs



**33% DES COPROPRIÉTAIRES** n'ont jamais lu la déclaration de copropriété, qui établit les responsabilités de leur syndicat de copropriété.<sup>1</sup>

#### POUR PRÉVENIR LES DOMMAGES ET VEILLER À L'ENTRETIEN, LE SYNDICAT DE COPROPRIÉTÉ DEVRAIT :

✏

Avoir un carnet d'entretien

🔧

Tenir un registre à jour des travaux effectués

\$

Planifier et gérer un fonds de prévoyance\* suffisant pour parer à toute éventualité

🛡

Souscrire une assurance pour syndicat de copropriété adéquate

★

À la suite d'un sinistre, l'assurance du syndicat de copropriété doit remettre votre unité dans le même état qu'elle était à la construction.

\*Fonds de prévoyance = «cousin» requis pour les travaux d'importance à venir (par exemple, la toiture), ou pour les réparations qui ne peuvent attendre.

#### EN TANT QUE COPROPRIÉTAIRE, SOUSCRIVEZ UNE ASSURANCE HABITATION POUR VOTRE CONDO COUVRANT :

🛋

Vos biens-meubles

🏠

Les améliorations faites depuis la construction\*

⚖

Votre responsabilité civile

📄

Il est aussi de votre responsabilité d'informer votre assureur lorsque des améliorations locatives sont apportées ou qu'un sinistre survient.

★

Impliquez-vous dans la gestion et l'entretien de l'immeuble afin d'assurer la préservation de la valeur de votre investissement et de vos biens.

\* Exemples d'améliorations locatives : modification des armoires de cuisine, changement du revêtement de plancher, ajout d'une thermopompe, etc.

infoassurance.co

POUR PLUS D'INFORMATION SUR L'ASSURANCE CONDO  
[www.infoassurance.ca/condo](http://www.infoassurance.ca/condo)



BAC Bureau d'assurance du Canada

<sup>1</sup> Sondage SOM pour le compte du Bureau d'assurance du Canada

# Insurance 101

When people buy insurance policies, they put money into a pool to help the few individuals who will suffer a financial hardship – from events such as a fire, collision or business interruption – in a given year.

A premium is based on how likely it is that the purchaser will collect from the pool by making a claim. Insurers gather information that they know from experience will help them produce fair and accurate rates.

Ask your insurance representative about your policies at least once a year.

## Questions to ask your representative:

Home	Auto	Business
<ul style="list-style-type: none"><li>What does my policy cover? What are the limits? Are there any exclusions?</li><li>Is there a specific kind of insurance for a house? A condo? An apartment?</li><li>Do I present risks that limit me from buying insurance?</li><li>Is optional coverage available for risks not normally included in a regular policy?</li><li>What can I do to keep my premiums down?</li></ul>	<ul style="list-style-type: none"><li>What does my policy cover if I'm involved in a collision?</li><li>What optional coverage is available?</li><li>Should I have collision insurance on an older car?</li><li>What deductible amount is recommended?</li><li>What can I do to keep my premiums down?</li></ul>	<ul style="list-style-type: none"><li>What kind of insurance do I need?</li><li>Does my business present risks that limit me from buying insurance?</li><li>If my business is home-based, do I need special coverage?</li><li>What does errors and omissions or malpractice insurance cover?</li><li>What can I do to keep my premiums down?</li></ul>

# Understanding Insurance

Despite the importance of insurance to the financial security of consumers, many are unsure about what a premium represents and how it is calculated. 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 and frequency
- ▶ 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

## Discounts may be offered for

- ▶ Vehicles with loss prevention devices
- ▶ Insuring two or more private passenger vehicles in the same household
- ▶ Combined coverage for existing insured clients (for example, auto and home insurance)
- ▶ Policyholders who have never filed an insurance claim
- ▶ Drivers over the age of 55
- ▶ Vehicles not used in the winter
- ▶ “Loyalty” for policy renewals by existing insured clients, subject to insurer’s criteria



# 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.

## 2014 highlights:



The P&C insurance industry **employed 120,200 people across Canada.**

Insurers paid **\$10.5 billion** in personal losses alone, of which **\$6.2 billion** was for personal property



Personal property claims as a percentage of total claims rose significantly over the last decade – from **24.4% to 33.1%**



Insurers paid out **\$31.8 billion** in claims to victims of collisions, disasters and other losses in Canada.



Canadian insurers paid **\$8.2 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.

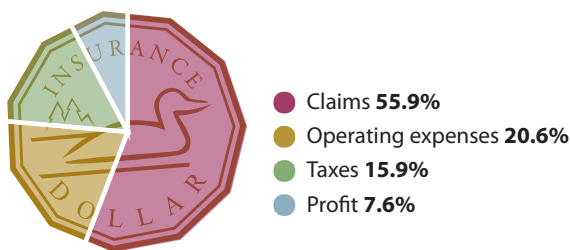
2014 highlights:

Direct claims incurred: **\$5.2 billion**

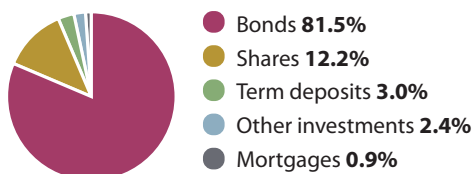
Taxes and levies: **\$1.4 billion**

## How the Insurance Dollar is Spent

7-year average, 2008-2014, as % of revenue



## Industry Investments, 2014



If you have questions, we can help.

**IBC's Consumer Information Centre**

**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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Insurance Bureau of Canada's Communications and Public Affairs by emailing [ssimard@bac-quebec.qc.ca](mailto:ssimard@bac-quebec.qc.ca)

IBC is the national industry association representing Canada's private home, auto and business insurers. Its member companies represent 90% of the P&C insurance market in Canada.



Data in this brochure have been gathered from several national and international sources, including IBC. Data are from 2013, 2014 or 2015 depending on when sources release their information. 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.