


# 2015

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





**Severe weather has been on the rise for decades, an expensive trend for governments because natural disasters lead to lost tax revenues, the need for relief and reconstruction aid, and business and supply chain interruptions.**

According to a recent World Bank study, disasters increase government deficits by 25% on average. Canada has felt this pain first-hand as the 2013 floods in Toronto and Southern Alberta added \$2 billion to the federal deficit.

Insurers are essential during these challenging times because they transfer risks away from individuals and government, and quickly channel funds to where they are needed. For those same two floods in 2013, insurers paid out \$2.64 billion.

The industry's contribution goes well beyond disaster relief. Insurers help people manage risks every day, and recover from losses big and small, whether they be from car collisions, house fires or business interruption. Insurers also employ thousands of Quebecers all across the province, pay millions of dollars in taxes and levies, and contribute to local events that promote strong and safe communities.

And through its unified voice, Insurance Bureau of Canada (IBC), the industry contributes to a more resilient Quebec – spearheading groundbreaking research, educating the public and working with all levels of government on solutions for mitigating future disasters and keeping insurance affordable.

This ongoing collaboration among insurers, government and stakeholders is key. By working together, we can help Quebecers lead safer lives and manage their risks with peace of mind so they can focus on building their futures.



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



# Auto insurance is working in Quebec

## Quebec drivers pay one of the lowest average premiums in Canada for their car insurance.

The average premium for material damage and civil liability was \$525 in 2014. When the Société de l'assurance automobile du Québec (SAAQ)'s average premium for bodily injury is added in, the average premium in 2014 totalled \$713.

The various tools and mechanisms used by Quebec insurers since *Groupement des assureurs automobiles* (GAA) was created in 1978 – as part of the reform of auto insurance – have helped control premiums, which declined for the tenth year in a row.

This was made possible through the following tools that streamline the claims settlement process:

- » Direct Compensation Agreement (DCA)
- » Automobile damage appraisal framework
- » Distribution of the Joint Report of automobile accidents

Quebecers enjoy a regulatory framework that promotes effective risk management and healthy competition, helping to create an auto insurance market that is favourable to consumers.

### Sales tax hike on auto insurance

After the announcement in December 2014 that the sales tax on auto insurance would increase from 5% to 9% on January 1, 2015, IBC quickly lobbied the office of the Minister of Finance about the direct and indirect impact that such a measure would have on our industry. IBC successfully proposed transition measures to the government to assist insurers in applying this change.

## Evolution in average premium - Insurance for material damage and civil liability



Source: *Groupement des assureurs automobiles*, Automobile Statistical Plan, General Results, Private Passenger Cars, 2014

## Building a more resilient Canada

**The property and casualty (P&C) insurance industry is committed to helping Canadians be better prepared for natural disasters. IBC advocates for better building codes, investments in infrastructure and a national natural catastrophe plan. We work with all levels of government for solutions on how to adapt to more severe weather.**

IBC also spearheads substantial research and awareness-raising projects – projects with practical, real-life applications. Initiatives in 2014 included:

- ” A research paper examining flood management programs in G8 countries, offering solutions that may be applicable to Canada.
- ” A project with Natural Resources Canada to develop a toolkit for municipalities to assess the economic costs of severe weather, helping them make the case for adaptation. It will be available in fall 2015.
- ” The municipal risk assessment tool (MRAT), which helps municipalities identify vulnerabilities in sewer and stormwater infrastructure. MRAT has been successfully piloted in three cities (Hamilton, ON; Coquitlam, BC; Fredericton, NB), and IBC is now seeking a partner to take on the tool and roll it out to other cities across the country.
- ” A research paper with the Institute for Catastrophic Loss Reduction about incorporating resilience into the national building code.



IBC hosted a national earthquake symposium in Vancouver that brought together 160 national and international experts including representatives from Quebec’s Ministry of Public Security and *Autorité des marchés financiers*, as well as Quebec academics.



» Hosting a groundbreaking symposium, *“Preparing Canada for an Earthquake: A National Conversation,”* which brought together 160 national and international experts from multiple disciplines. Key themes included learning from recovery efforts in other nations and the critical need for ongoing partnerships and collaboration. Representatives from Quebec’s Ministry of Public Security and *Autorité des marchés financiers*, as well as Quebec academics, took part in the symposium.

- » Small magnitude earthquakes are common in Quebec, according to Natural Resources Canada, with some 450 a year occurring in Eastern Canada. However, most Quebecers underestimate the risk of a major earthquake.
- » Seismologists estimate the risk of a major earthquake in the next 50 years at 5% to 15% in the Quebec-Montreal-Ottawa corridor.

“We will win on this issue [of earthquake preparedness] and make Canadians safer if we work together in partnership... I am so proud to have IBC on board.”

**Steven Blaney**

*Federal Minister of Public Safety and Emergency Preparedness, at IBC’s national earthquake symposium in Vancouver, October 16, 2014*



Pierre Babinsky, Director of Communications and Public Affairs, IBC, with Rear Admiral Bill Truelove, Commander, Maritime Forces Pacific/Joint Task Force (Pacific), Department of National Defence.



# Helping Canadians adapt to severe weather

**Severe weather has been hitting Canadians hard, and this trend is unlikely to abate. Canada is getting wetter weather; it now has 20 more days of rain per year compared to the 1950s. According to Environment Canada, severe weather events that used to happen every 40 years, can now be expected every six years.**

People's lives are being disrupted and their homes are being destroyed. Insured and economic losses due to severe weather have been increasing. The industry now pays an average of \$1 billion in losses related to severe weather, with 2013 tipping the scales at \$3.2 billion. The industry paid out close to \$1 billion again in 2014.

IBC helps Canadian families, homes and businesses adapt to severe weather. In 2014, the hailstorms in Airdrie, AB, resulted in \$537 million in insured losses, and flooding across the Prairies cost \$103 million. Ontario experienced a tornado in Angus and significant flooding in Burlington. Quebec was hit by severe weather several times in 2014, including spring floods in the Estrie region.

The insurance industry is well known for managing risk. Here are some risk management tips IBC provides to consumers.

## Homeowners:

- » Building a new house that is adapted to climate change for its life cycle typically adds no more than 5% to the front-end building costs.
- » Installing a sewer line backflow valve can save \$20,000 to \$25,000 in basement repair costs, as well as prevent major headaches.
- » Making sure you have working smoke detectors can be a quick and easy way to prevent a major loss.

## Businesses:

- » IBC encourages businesses to have business continuity plans.
- » Businesses are also encouraged to identify cyber risks, install working smoke detectors, have a backup power source and find an alternative location in case the premises become inaccessible.



# Condo insurance: two policies, two solitudes?

Condo insurance has a unique feature. It consists of two policies: the condo owner's policy, which covers personal property, improvements made to the units, etc.; and the condo board's policy, which covers the building and common portions, as well as civil liability. This duality can complicate the claims settlement process.

With the increase in claims, especially for water damage, condo owners and condo boards do not always know who to turn to when a loss occurs.

## IBC is working actively to improve condo insurance:

- » Revision of condo owner home insurance forms
- » Claims settlement guide for insurers drawn up specifically for condos

## Did you know that:

- » 95% of condo claims made by condo boards are for water damage
- » 60% of condo claims paid out by insurers are for water damage

## Main reasons for condo property insurance claims:

- » 50% plumbing
- » 33% seepage
- » 6% water heater



## Providing information to consumers

IBC is committed to providing information that will help Quebec residents manage their risks and understand their insurance coverage. Here are some ways we helped people understand their insurance:

- » Answered more than 32,000 consumer inquiries through our Quebec Insurance Information Centre
- » Responded to more than 200 media calls
- » Hosted 168,782 visits to our **infoassurance.ca** website
- » Promoted our online quiz about water damage on our website, **infoassurance.ca**
- » Mailed out an envelope containing our brochures from the *All About Insurance* series and a joint report to 10,000 homes, for the third straight year
- » Renewed our partnership with the *Service de police de Montréal* and other organizations to make residents more aware of bicycle theft.

**Dégât d'eau...**

**Couvert?**

**Non couvert?**

Testez vos connaissances sur les dommages causés par l'eau

**Répondez au quiz!**

**infoassurance.ca**

**BAC** Bureau d'assurance du Canada



# Awareness campaigns

## *“En voiture, j’assure!”*

IBC launched the second phase of its *“En voiture, j’assure!”* campaign aimed at making young drivers aware of how their driving habits can affect their insurance premiums.

New targeted content was put on the [infoassurance.ca](http://infoassurance.ca) website. The information included some surprising driving facts and answers young drivers’ questions. Ten articles were published by various media.

## The Great ShakeOut

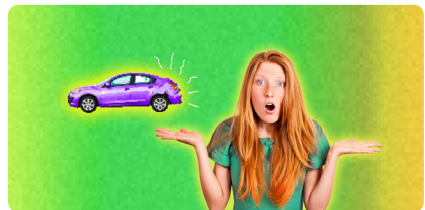
After taking part in the Great ShakeOut in the Charlevoix region in 2013, IBC relived the experience in 2014, collaborating actively in Quebec’s first province-wide Great ShakeOut. Many cities, organizations and individuals participated in the 2014 event, which IBC organized in partnership with the *Association de sécurité civile du Québec* (ASCQ).

In fact, on October 16, at 10:16, 152,000 Quebecers stopped to “Drop, Cover and Hold On!” practising how to protect themselves in the event of an earthquake.



## Online campaigns

IBC’s online presence included campaigns aimed at drawing consumers’ attention to various subjects of interest, including earthquakes, water damage and the young driver safety campaign.



The Quebec office has been on Twitter [@BAC\\_Quebec](https://twitter.com/BAC_Quebec) since January 2015.



## Fighting insurance crime

**Insurance crime takes many forms and costs Canadians millions of dollars each year. The perception that this is a victimless crime simply isn't the case. All Canadians end up footing the bill when it comes to theft and fraud.**

Organized crime rings conduct various forms of insurance crime, such as auto and cargo theft.

P&C insurers, through IBC, investigate organized insurance crime throughout Canada:

- ''' IBC's Investigative Services recovered stolen vehicles worth more than \$18.8 million in 2014, including \$8.8 million at the ports of Montreal and Halifax.
- ''' Cargo theft is a problem that costs approximately \$5 billion per year and hits the trucking industry and its insurance partners hard. In 2014, IBC and the Canadian Trucking Alliance, supported by law enforcement agencies, launched a national program to fight cargo theft. Since then, IBC has received more than 200 reports of cargo theft worth about \$15 million, leading to \$5 million in recovered cargo. The program was launched in Quebec in October 2014, with the collaboration of the *Association du Camionnage du Québec*, the *Sûreté du Québec* and *Service de police de Montréal*.
- ''' Each year, IBC releases its list of Top 10 Most Frequently Stolen Vehicles nationally. While the incidence of auto theft in Canada is down 8%, it is still big business and consumers need to know how to protect themselves. We recommend that people purchase a used vehicle from a reputable source, and if in doubt, research a vehicle's history before buying it.
- ''' IBC's VIN Verify service protects consumers by registering vehicles that have been reported as flood damaged.



## Making our roads safer

**Driver distraction is the number one road safety issue facing Canadian drivers. P&C insurers are committed to raising awareness about the risks of distracted driving. We care about preventing injuries and saving lives.**

IBC is on the same page as provincial governments on this issue. Across the country, governments are discouraging people from texting and driving. They are doing this by increasing fines and, in some cases, giving demerit points to drivers who text. Insurers welcome the day when texting and driving – like drunk driving – is no longer socially acceptable.

Via Twitter, IBC shared road safety messages with consumers, including ways to avoid distracted driving.



### External committees: IBC's voice heard

IBC shares its expertise with various provincial government committees:

- » **Table québécoise de la sécurité routière:** This forum is mandated to make recommendations to Ministry of Transport in order to reduce the number of collisions on Quebec roads. It reports to the Société de l'assurance automobile du Québec (SAAQ).
- » **IBC-Autorité des marchés financiers advisory committees:** Three working committees were created in 2014 to discuss, on a regular basis, industry issues and business practices, as well as the regulatory framework. Autorité des marchés financiers, insurers and IBC are all represented on the committees.
- » **Comité consultatif sur la sécurité civile et incendie:** This committee is coordinated by the Ministry of Public Security to discuss and share civil protection information.

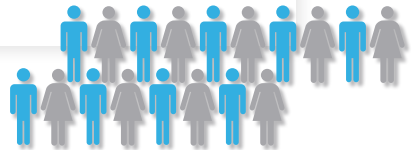


## Contributing to the economy

Insurers are key contributors to the Canadian economy, mitigating the economic and fiscal effects of a disaster. Insurance enables Canadians to recover from losses by absorbing financial risk. The insurance industry supports Canada by investing in bonds and securities. This helps create and support growth and employment. Moreover, insurance provides incentives for consumers to reduce their risks.

Here are some highlights from 2013, our most recent data:

The P&C insurance industry employed **118,800** people across Canada in 2013.



Insurers paid \$12.1 billion in property losses alone – **\$6.8 billion** in personal property.



Insurers paid out **\$30 billion** in claims to victims of collisions, disasters and other losses in Canada.

**\$6.7 billion** – the amount that the P&C insurance industry contributed in taxes and levies to federal and provincial governments in 2013



Sources: IBC, MSA



Sources: IBC, MSA, SCOR, AMF



## Contributing to Quebec's economy

Highlights from 2013:

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

Taxes and levies:  
**\$1.3 billion**

Direct claims incurred:  
**\$5.1 billion**



# Insurance 101

**When people buy insurance policies, they put money into a pool to help the few people who will suffer a financial hardship (such as a house fire, auto 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 use experience to gather information for producing fair and accurate rates.

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

**Did you know?** Both federal and provincial governments closely regulate the insurance industry. In Quebec, Autorité des marchés financiers oversees auto insurance rates and publishes a report on rates each year.

## Questions to ask your insurance 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? 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 professional civil liability insurance cover?</li><li>▶ What can I do to keep my premiums down?</li></ul>



# Demystifying insurance

**Despite the importance of insurance to their financial security, consumers are often unsure about what a premium represents and how it is calculated. Here are some factors that help insurers set premiums.**

## Car insurance:

- › Claims history of policyholder
- › Driving record of 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
- › Type 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 policyholder
- › Crime rates of residence location
- › Additional coverage, deductible and discounts
- › Value of insured property

## 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, car and home insurance)
- › Policyholders who have never filed an insurance claim
- › Drivers over the age of 55
- › Vehicles not used in winter
- › “Loyalty” for policy renewals by existing insured clients, subject to insurer’s criteria



If you have questions, we can help.

**IBC Insurance 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.infoinsurance.ca](http://www.infoinsurance.ca)

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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.

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Data in this brochure have been gathered from several national and international sources, including IBC. Data are from 2012, 2013 or 2014, 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.