



Toward a Safer **Quebec**
An update from Quebec's home,
car and business insurers

The year 2013 was particularly difficult for Canadians. One need only think back to the catastrophic floods in Alberta and Ontario, the deadly rail accident in Quebec and the ice storm that left many in the dark in Quebec, Ontario and Atlantic Canada. Thankfully, the P&C insurance industry was able to quickly assist people in recovering from these events.

Insurance Bureau of Canada (IBC), the national industry association representing Canada's private home, car and business insurers, takes its leadership role seriously, and contributes to making communities more resilient. We work in partnership with the federal government, provincial governments, municipal administrations and other stakeholders to further our efforts. The launch of IBC's municipal risk assessment tool (MRAT) and the recent study commissioned by IBC on the impact of a major earthquake are examples of the industry's efforts to help prepare Canadians to manage the major risks they face.

Beyond managing risk, bringing peace of mind and paying out billions of dollars in claims, the property and casualty (P&C) insurance industry employs tens of thousands of Canadians and promotes economic development. In addition, the P&C industry advocates for greater financial literacy, emergency preparation and adaptation to extreme weather events. We are proud to assume part of the collective responsibility of protecting our fellow citizens, whether in their homes or on the road.

This publication provides a brief overview of the work we do to help enhance the resilience and safety of Quebecers.



Johanne Lamanque
Vice-president, Quebec

AUTOMOBILE INSURANCE

works well in Quebec

The average premium for material damage and civil liability for Quebec drivers continued to trend downward in 2013 - \$522, compared to \$589 in 2005.

The average premium, combined with the *Société de l'assurance automobile du Québec* (SAAQ) premium for bodily injury, was \$709, among the lowest in Canada.

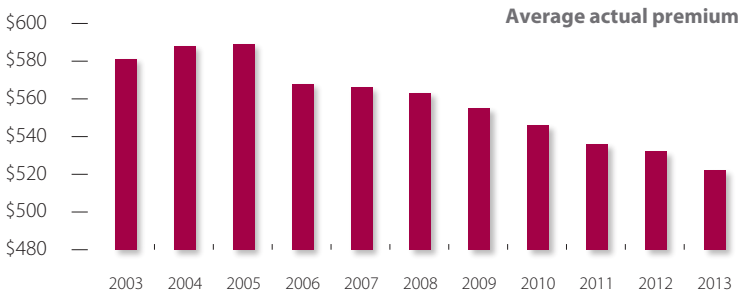
As illustrated in the table below, the insurance premium for material damage has declined for the past eight years. This mainly reflects lower claims frequency and costs, which are significant factors in calculating premiums.

The low auto premiums also reflect a competitive environment in which a number of insurers share the market, benefitting consumers.

Introduction of plain language auto insurance policies

The plain language auto insurance policies took effect on March 1, 2014 (Q.P.F. No. 1 and 5). The work of simplifying the policies began in 2010 and has made them easier for consumers to read and understand. The project was a joint effort with *Autorité des marchés financiers* (AMF) and *Groupeement des assureurs automobiles* (GAA).

EVOLUTION IN AVERAGE PREMIUM—INSURANCE FOR MATERIAL DAMAGE AND CIVIL LIABILITY



Source: GROUPEMENT DES ASSUREURS AUTOMOBILES, Automobile Statistical Plan, General Results, Private Passenger Cars, 2013.

ADAPTING TO EXTREME WEATHER and natural catastrophes

Extreme weather events had devastating consequences for Canadians in 2013. After each crisis, the P&C insurance industry reacted quickly to process and settle claims, and help individuals get back on their feet. The industry paid out a record **\$3.2 billion** in claims to policyholders in 2013 for losses caused by severe weather events, the largest payout to date in Canada.

To make Canadians more resilient to natural catastrophes, the P&C insurance industry is emphasizing preparedness before a catastrophe strikes, as well as post-catastrophe intervention. In 2013, the P&C industry continued to work with the federal government, provincial governments and municipalities, and applied other proactive measures to develop and maintain good relations with them:

WATER DAMAGE AND MUNICIPAL INFRASTRUCTURE

- Water damage, like the state of municipal infrastructure, has been front and centre in IBC's discussions with many stakeholders in Quebec, including ministerial offices, specifically the Ministry of Municipal Affairs, Regions and Land Occupancy, the Ministry of Sustainable Development, the Environment and Parks, and Infrastructure Québec.
- Since these issues impact municipalities directly, representations were also made to the executives of the Union of Quebec Municipalities, the *Fédération québécoise des municipalités* and the Canadian Federation of Municipalities.
- IBC launched Municipal Risk Assessment Tool (MRAT), a revolutionary technology to help municipalities identify vulnerabilities in their storm water and sewer infrastructure, which could cause sewers to back up and flood basements.

EARTHQUAKES

IBC published a scientific study on the economic impact of a major earthquake in British Columbia and in the Quebec City-Montreal-Gatineau corridor. An earthquake scenario in the Charlevoix region evaluated damages at \$60 billion.

- IBC, together with the P&C insurance industry, is determined to work closely with governments and other stakeholders to set up a national intervention framework.
- In addition, IBC sponsored the ***Great ShakeOut in Charlevoix***, a drill to help develop the necessary reflexes to protect oneself during an earthquake: Drop, Cover and Hold On! This event, in which more than 13,000 citizens took part, will be held throughout Quebec in 2014.

TRAGEDY IN LAC-MÉGANTIC

IBC deployed CAMP

The small town of Lac-Mégantic was struck by tragedy on the night of July 6, 2013, when a train derailed in the town's center.

The scale of the disaster and the many questions raised about insurance justified CAMP (Community Assistance Mobile Pavilion) deployment a first in Quebec. Public Affairs and Technical Affairs staff were on site to offer support to victims and answer their questions about insurance.

The IBC team was also available to answer questions from the media and established links with local officials, the Red Cross, the *Sûreté du Québec* and the Ministry of Public Safety. In terms of both the government and Red Cross programs, IBC's input helped ensure that the compensation provided for under private insurance policies and the assistance provided by the provincial government and the Red Cross complemented each other.

Following its initial visit the day after the tragedy, IBC returned to Lac-Mégantic on three occasions. It continues to follow developments and stay up-to-date about potential new insurance issues, as the town continues to rebuild.



IBC is asked to deploy CAMP when:

- Insurable damages are extensive.
- Assistance is required by the municipality or by Quebec's civil security agency.
- Deployment of the unit is logistically possible and relevant.

Information and consumer awareness

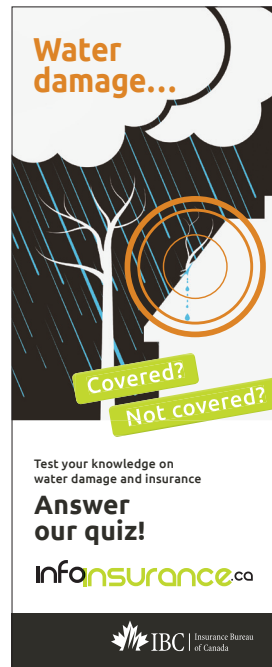
Quebecers are better able to protect themselves, their families and their property when they understand how their insurance works and when they are adequately insured.

IBC is determined to be a reliable source of information about insurance. Here are some of the initiatives taken in 2013 to help Quebecers better understand their insurance coverage:

- We responded to more than **30,000** requests for information at the Insurance Information Centre for the province.
- We responded to **274** requests from the media.
- We registered **180,000** visits to our web site **infoinsurance.ca** in 2013.
- We uploaded a quiz on water damage to our web site **infoinsurance.ca** in order to improve consumer knowledge on this issue.
- For the second consecutive year, we mailed out a package to 10,000 households containing our brochures from the *All about* series, as well as a copy of the Joint Report. This small information kit reminds them

about the importance of insurance and how to more efficiently settle a simple fender bender.

- We established partnerships with the *Service de police de la Ville de Montréal* (SPVM), Montreal's municipal police force, and other organizations to promote consumer awareness regarding bicycle theft and the protection of personal contents left in vehicles.



Awareness campaigns

IBC launched the following consumer campaigns during the past year.

BIEN VERROUILLER, C'EST IMPORTANT !

Thousands of bicycles are stolen every year on the island of Montreal. IBC joined forces with the City of Montreal and its Tandem offices, the *Service de police de la Ville de Montréal* (SPVM), *Vélo Québec* and the *Société de transport de Montréal* (STM) to launch a campaign aimed at preventing bicycle theft.

THEFT OF PROPERTY FROM VEHICLES

With nearly 40,000 thefts of personal contents taken from vehicles each year in Quebec, the SPVM and IBC combined their efforts in July 2013 to make drivers aware of this scourge. A poster campaign was carried out in downtown Montreal, supported by SPVM agents, who

handed out 'bookmarks' to drivers listing a number of prevention tips.

EN VOITURE, J'ASSURE: A CAMPAIGN FOR YOUNG DRIVERS

More than 100,000 new drivers take to Quebec's roads every year. IBC and Groupement des assureurs automobiles (GAA) created an awareness campaign with four themes: insurance premiums, deductibles, losses and false declarations. By stressing these issues, the aim of the campaign was to make young drivers and their parents aware of the importance of car insurance.



Basic principles of insurance

When individuals purchase an insurance policy, they pool their money with those of other policyholders to help those who suffer a loss (for example, a fire in their home, car accident or business loss) in the same year.

The premium is calculated based on the likelihood that the insured can be compensated from the pooled funds if he or she files a claim.

Insurers collect the information that will help them set fair and accurate premiums.

Did you know?

The insurance industry is closely regulated by the federal and provincial governments. In Quebec, Autorité des marchés financiers (AMF) provides oversight for auto insurance premiums and each year publishes a report on rates.

QUESTIONS TO ASK YOUR INSURANCE REPRESENTATIVE:

HOME	CAR INSURANCE	BUSINESS
<ul style="list-style-type: none">• What does my insurance policy cover? What are the limitations? What are the exclusions?• Is there specific insurance for homes? Apartments? Condominiums?• Is my home exposed to non-insurable risks?• Are there optional guarantees for risks not normally insured under a standard home insurance policy?• What can I do to control the amount of the premium?	<ul style="list-style-type: none">• What does my policy cover if I am involved in a collision?• What optional guarantees are available? Do I need coverage for an old car?• What is the recommended deductible amount?• What can I do to control the amount of my premium?	<ul style="list-style-type: none">• What kind of insurance do I need?• Is my business exposed to non-insurable risks?• Do I need specific coverage if I have a home-based business?• What does professional liability insurance cover?• What can I do to control the amount of my premium?

Insurance demystified

Despite the key role insurance plays to ensure their financial security, many consumers do not readily understand what an insurance premium represents and how it is set. Here are some of the factors used by insurers to establish premiums.

FACTORS THAT IMPACT AUTO INSURANCE PREMIUMS:

- Policyholder's claims history and losses.
- Policyholder's driving record and record of other drivers in the household (at-fault collisions, infractions to the Highway Safety Code, etc.).
- Type of vehicle (make, model, year, etc.).
- Cost of repairs to the vehicle or its replacement cost.
- Collision frequency and crime rate in the area where the vehicle is usually driven.
- Distance driven and vehicle use.
- Additional coverage, deductibles and discounts.

FACTORS THAT IMPACT HOME INSURANCE PREMIUMS:

- Age, size and location of residence.
- Type and quality of finishes and materials.
- Replacement cost of residence (reconstruction cost).
- Type of residence (single family, apartment, etc.).
- Building materials used (brick, cement, etc.).
- Distance to fire hydrant and fire station.
- Policyholder's claims history.
- Crime rate in the area where the residence is located.
- Additional coverage, deductibles and discounts.
- Value of insured property.

DISCOUNTS MAY BE OFFERED IN THE FOLLOWING CASES:

- Vehicles with anti-theft device.
- Two or more private passenger cars insured by the same household.
- Combined coverage for current clients (i.e., home and auto insurance).
- No claims ever filed by policyholders.
- Vehicles not driven in the winter.
- As part of loyalty programs, insurance policies renewed by current clients, subject to the insurer's criteria.

Contributing to the Economy

The P&C insurance industry plays a vital role in Canada's economic health. By absorbing financial risk, particularly in a world of emerging new risks and changing needs, and investing in Canadian bonds and securities, insurers help to create and promote growth, development and employment.

Here are highlights based on the most recent data available:

The P&C insurance industry employed 118,600 people across Canada.



The P&C insurance industry had **\$104 billion** in invested assets, to support economic growth and stability.

Insurers paid out **\$27.8 billion** in claims to victims of collisions, disasters and other losses in Canada.

Canadian insurers paid more than **\$7.5 billion** in taxes and levies to federal and provincial governments.

The P&C insurance industry employs over 30,000 Quebecers.

Settlements: In 2012, insurers paid out **\$4.6 billion** in compensation to assist policyholders in Quebec to get back on their feet and rebuild what had been destroyed. .

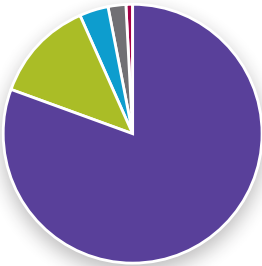
Taxes: In 2011, P&C insurers paid **\$1.2 billion** in taxes to the Quebec government.

Competition and choice: **176** insurers are licensed to sell general insurance in Quebec and to serve Quebecers.

Investing Wisely

The P&C insurance industry offers the key service of risk management and is committed to covering losses when they occur. Providing these services necessitates the careful and safe investment of resources to ensure that funds are available when needed. With the bulk of its investment portfolio in federal, provincial and municipal bonds, the insurance industry is far less vulnerable to stock market fluctuations than other industries. This is also why P&C insurers historically weather an economic crisis better than others in the financial services sector.

BREAKDOWN OF NATIONAL P&C INSURANCE INDUSTRY INVESTMENTS



- **80.7%**
Bonds
- **12.7%**
Shares
- **3.8%**
Term deposits
- **2.1%**
Other investments
- **0.7%**
Mortgage loans

Source: IBC, MSA, SCOR, AMF

WHERE DOES EACH DOLLAR RECEIVED BY INSURERS GO?

The Insurance Dollar pie chart shows how Canada's home, car and business insurers spent each dollar of revenue averaged over the seven years from 2006 to 2012.



- **54.0¢**
Claims paid out to policyholders
- **20.5¢**
Operating costs
- **16.1¢**
Taxes and levies
- **9.4¢**
Profit margin

Source: IBC, MSA

Questions? We're here.

Insurance Bureau of Canada'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.

For additional copies of this booklet, please contact:

Insurance Bureau of Canada's
Communications and Public Affairs
ssimard@bac-quebec.qc.ca



Insurance Bureau of Canada is the national industry association representing Canada's private home, car and business insurers. Its member companies represent 90% of the property and casualty (P&C) insurance market in Canada.

Data in 2014 State of the Industry brochure have been gathered from several national and international sources, including IBC. Data are from 2011, 2012 or 2013 depending on when sources release their information. In some instances, figures may not add up to 100% as a result of rounding. Also because sources collect data in different ways, there may be small differences among similar data.

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