

IBC  BAC | Insurance Bureau of Canada
Bureau d'assurance du Canada

Managing Risk in an Uncertain World



NEWS FROM BRITISH COLUMBIA'S HOME,
CAR AND BUSINESS INSURERS

PROVIDING PEACE OF MIND

These are uncertain times. From the global meltdown of 2008 to the international debt crisis, there is a new atmosphere of turbulence across the world. Against this background, the property and casualty insurance (P&C) 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 large and small 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 adaptation to severe weather.



ENSURING AFFORDABILITY FOR CONSUMERS

Competition and choice leads to the best insurance policy for consumers. IBC's goal is to advocate for competition and balanced regulation in auto insurance, to ensure affordability and availability of insurance for consumers.

IBC believes informing consumers will help them make the best choices. To that end, we provide consumers with valuable insurance tips and other advice through both traditional (press releases, articles) and social (YouTube, Twitter) media.

The image shows a screenshot of a website header and main content area. The header is dark red with the text "Get in the Know" in white, followed by "News, views and some advice from Insurance Bureau of Canada". To the right of the header are links for "EMAIL SUBSCRIPTION | DOWNLOADS | CONTACT US", social media icons for Twitter, RSS, and YouTube, and a search bar. Below the header is a navigation menu with five items: "About Us", "Blog", "Fraud Prevention", "Protecting Property", and "In the Community". The main content area features a large image of a house interior with a staircase and a green sofa. Overlaid on this image is the text "Dry House Challenge" in large white letters, with "Download now" below it. At the bottom of the main content area is a row of five small text boxes, each containing a short description of a resource.

Get in the Know
News, views and some advice from Insurance Bureau of Canada

EMAIL SUBSCRIPTION | DOWNLOADS | CONTACT US

About Us | Blog | Fraud Prevention | Protecting Property | In the Community

Dry House Challenge
Download now

Understand how insurance fraud hurts your wallet

Alarmed and Ready – Tips on protecting yourself from fire

Download our new iPad App – help prevent water damage

Letting you know how popular your car might be!

Excellent resource for how-to videos

IBC's consumer education microsite, getintheknow.ibc.ca, provides up-to-the-minute information with a Twitter feed and frequent blog posts.

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 suffer a financial hardship (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 from the pool 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, the driver who drives more will likely pay a larger premium for auto insurance than the driver 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.

Insurers gather information that they know from experience will help them set fair and accurate premium prices. See the list on the facing page for some factors that help insurers set prices.

DID YOU KNOW...?

- The use of electrical or gas appliances does not affect home insurance premiums.
- The colour of a car does not affect car insurance premiums. Another misconception is that premiums are always higher for foreign cars than domestic ones.

SOME 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
- Government regulations/taxes

SOME FACTORS AFFECTING INSURANCE PREMIUMS:

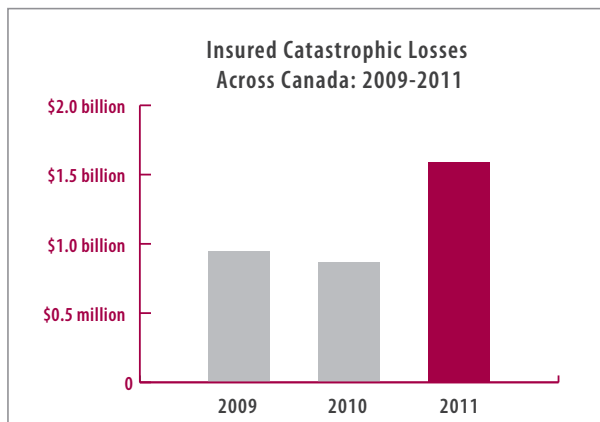
- Claims history of policyholder
- Driving record of policyholder and other household drivers (at-fault collisions, moving violations, etc.)
- Type of vehicle (make, model, year, etc.)
- Repair cost and/or replacement value
- Collision and crime rate where vehicle is usually parked
- Driving frequency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

ADAPTING TO SEVERE WEATHER

Severe weather caused by climate change is a growing risk that disrupts lives and costs billions.

Environment Canada reports that extreme weather events that used to occur every 40 years can now occur every six years. This means more snowstorms, rainstorms, tornadoes and hurricanes. It also means more flooded basements, sewer backups and washed-out roads, of which British Columbia has had its share. Mechanical failures, such as broken pipes, are also an important cause of water losses.

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 simple solutions such as sewer backwater valves and rain barrels.
- Working with communities to design a municipal risk assessment tool (MRAT) to identify stormwater and sewer infrastructure weaknesses. MRAT will also help governments plan infrastructure investment.
- Advocating for inclusion of severe weather adaptation into the climate change strategies of governments at every level.

BRITISH COLUMBIANS BECOMING MORE RESILIENT

Thankfully, 2011 was a moderate year in British Columbia for weather events; however, residents need to stay alert. In 2012, some regions are facing potential flooding due to high snowpack, and others might experience drought, which increases the possibility of wildfire. IBC continues to promote FireSmart as a way to educate consumers about protecting their property.



IBC's How To FireSmart Your Home video shows British Columbians how to make their homes more resistant to approaching wildfires.

As the losses due to severe weather mount, communities and consumers push for solutions. A recent poll commissioned by IBC showed that two-thirds of respondents would take steps to protect their homes from water damage if they knew they were in a high risk area.

IBC is engaging municipal leaders across the country on ways to meet the challenge of adapting to climate change. Recently, IBC explained its municipal risk assessment tool at a meeting of the Union of British Columbia Municipalities.

HELP WHEN DISASTER STRIKES

When a community is hit with a major catastrophe that results in extensive insured losses, affected residents have many insurance-related questions. IBC's Community Assistance Mobile Pavilion (CAMP) can be deployed to help. Last year CAMP visited two Canadian communities – Slave Lake, Alberta, after a wildfire and Goderich, Ontario, after a tornado.

REACHING OUT TO COMMUNITIES

In 2011, IBC sponsored two Great British Columbia Shakeouts in January and in October. Approximately half a million residents took part in each event, making the events the largest-ever earthquake drills in Canada. Starting in 2012, the Great British Columbia ShakeOut will be held yearly in October.



Lindsay Olson, IBC Vice-President for British Columbia, Saskatchewan and Manitoba, speaks at the 2011 Successful You Awards.

The small business community plays a pivotal role in our economy. This is why IBC took on the role of title sponsor for Small Business BC's Successful You Awards in support of small and medium-sized businesses in the province.

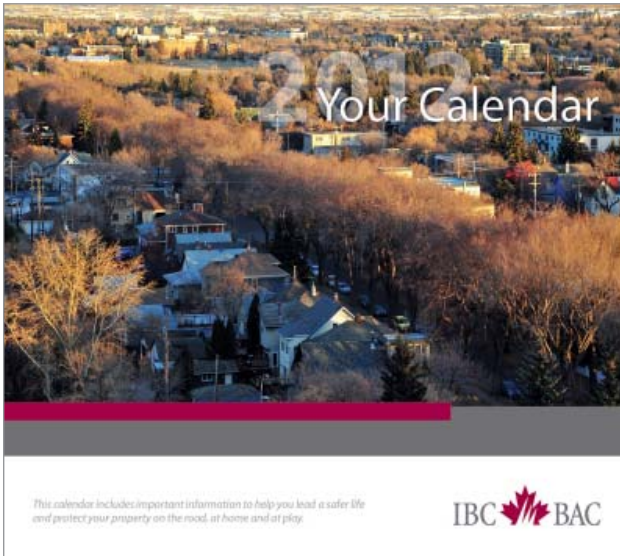
This past winter, IBC again partnered with Preventable.ca to bring back its winter "Have a word with yourself" campaign to raise awareness about helmet use and help people prevent head or neck injuries during ski season. IBC is one of the founding partners of Preventable.ca and has led many initiatives across the country to promote helmet use.

EDUCATING CONSUMERS

There is much consumers should know about choosing insurance products, understanding their policies and reducing their risk of losses.

Through IBC, the P&C insurance industry helps by:

- Answering more than **60,000** inquiries a year at five Consumer Information Centres across the country
- Providing information to **one million** visitors a year on ibc.ca, getintheknow.ibc.ca (a new consumer education microsite) and infoinsurance.ca in Quebec
- Maintaining a Twitter feed and blogs on insurance topics
- Distributing an annual calendar filled with safety advice, as well as brochures on many insurance topics
- Advocating on consumers' behalf with federal and provincial governments to include insurance education in financial literacy initiatives



IBC's annual calendar offers useful tips on various insurance topics.

ENRICHING THE ECONOMY

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

In 2010, the Canadian 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.

BRITISH COLUMBIA

\$3 billion

British Columbia's P&C insurers wrote over \$3 billion in personal property, commercial property, liability and auto insurance premiums in 2010.

\$1.6 billion

P&C insurers paid out \$1.6 billion in claims across all lines of business in British Columbia in 2010.

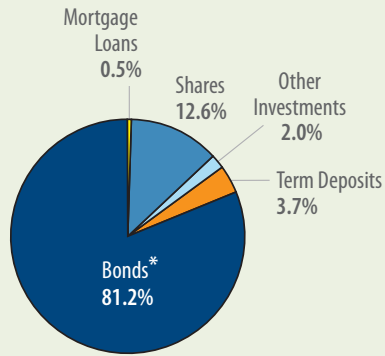
\$250 million

B.C. insurers paid over \$250 million in taxes and levies to federal, provincial and municipal governments in 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. While insurers rarely lose money on their overall investment portfolios, their investment incomes do fluctuate, depending on what is happening with interest rates.

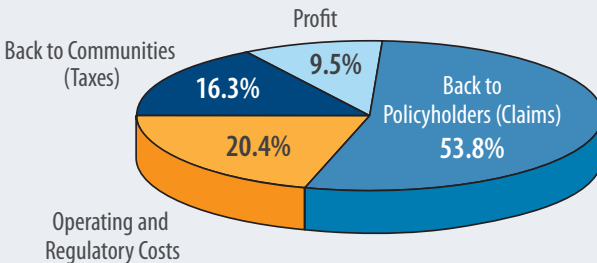
BREAKDOWN OF NATIONAL INSURANCE INDUSTRY INVESTMENTS



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.



QUESTIONS? WE'RE HERE.

Our Consumer Information Centre (CIC) responds to email and telephone inquiries on all aspects of home, car and business insurance from consumers across British Columbia, Saskatchewan and Manitoba. Staffed by trained insurance professionals, the CIC also delivers presentations to businesses and service clubs on the fundamentals of insurance.

If you have questions or require additional copies of this booklet, please contact:

Insurance Bureau of Canada's
Consumer Information Centre
Tel: 604-684-3635
Toll-free: 1-877-772-3777 ext. 222
(British Columbia, Saskatchewan and
Manitoba only)
Hours: M-F 9 a.m. – 4 p.m.

or visit **ibc.ca**