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B.C. brokers challenge auto report claims

THE INSURANCE Brokers Association of B.C. has lashed out at the Insurance Bureau of Canada following the release of a report on Alberta versus B.C. auto insurance.

The report, prepared for the IBC by the accounting firm MNP, is filled with 'misrepresentation,' according to the IBABC.

"No two provinces are alike in their driving exposure or auto insurance system in Canada, and an 'apples to apples' comparison does not exist," the brokers association said in an apparent reference to a quote from IBC Pacific VP Aaron Sutherland (*Thompson's*, last week).

"Throughout the report you will find the qualifier of 'information available' used to disguise (the) fact that in many cases their tables don't reflect the current reality of January 2020," the IBABC said.

"Because the (Insurance Corp. of B.C.) reforms are still quite fresh, they have yet to produce current data."

Chuck Byrne, executive director of the IBABC, told *Thompson's* the report is part of a concerted effort by the IBC to give the impression that private insurers could provide better and cheaper auto insurance than ICBC.

"In all cases the lowest Alberta premium was used to compare to ICBC's price, which may not have been ICBC's best price available," the brokers said in a news release.

"Alberta's lowest premium may not necessarily be widely available to all or any identifiable number of consumers. ICBC premiums and coverage, by comparison, are predicated on universal access for all British Columbians."

Continued on page 5 ➤

La Capitale and SSQ create mutual giant

QUEBEC-based mutuals La Capitale Insurance and Financial Services and SSQ Insurance are looking to speed up their growth plans through a merger announced late last month.

La Capitale specializes primarily in p&c insurance and SSQ operates mainly in group life insurance and together they will become the largest mutual insurer in Canada with 4,700 employees and more than 3.5 million members and clients.

"Our insurance industry is evolving rapidly and we wanted to give ourselves the financial means to speed up growth and become more competitive," SSQ CEO Jean-Francois Chalifoux told *Thompson's* last week. "It's really an aggressive move."

The new company will have a nationwide reach and operate its head office in Quebec City.

The combined assets for the new company will total more than $20bn and consolidated life and general insurance premiums will be roughly $5bn.

No changes are planned for either company's operations at this time. Work on a new name and branding for the new company has already started with the aim of completion later this year.

The merger still requires approval from Quebec's parliament and the members of each mutual before the deal can be finalized.

Mr. Chalifoux said that combining operations will give the companies the leverage to invest in new technology and digitalization processes.

He noted the companies are both facing a labour shortage and said another factor driving the merger is to entice employees to stay with the company and draw new ones in with exciting opportunities.

The companies are also looking to increase their combined business operations outside of Quebec.

"We want to build on what already exists and grow it," said Jean St.-Gelais, chair of the board of directors and CEO at La Capitale. "We will have more resources, more people to be able to continue to develop what we already have throughout Canada."

Continued on page 4 ➤

Weather claims expected to double in a decade

THE AVERAGE annual severe weather claims paid by insurers in Canada are expected to more than double over the next 10 years from $2.1bn to $5bn, the Insurance Institute of Canada says in a new report.

Released last week, it explores how the insurance industry should address the risks and challenges of climate change and extreme weather events over the next 10 years.

'Climate Risks: Implications for the Insurance Industry in Canada' was written by Paul Kovacs, senior researcher with the institute and founder and executive director of the Institute for Catastrophic Loss Reduction at Western University.

The report found that since the 1980s severe weather damage claims paid have doubled every five to 10 years. The report also found the insurance industry is key to helping people deal with the physical damage caused by those severe weather events.

"The insurance industry has done a good job of establishing leadership managing physical and transitional climate-related risks and adapting to the sustained increase in severe weather claims paid over the past 30 to 40 years," Mr. Kovacs said.

"While there are important lessons to be learned from this adaptation, going forward much more work is needed."

Although the costs of a changing climate will be greater, there will also be new opportunities created for the insurance industry in Canada over the next 10 years that will exceed the risk, the report said. Revenue will grow from coverage for floods, wildfires, severe wind and other climate-related risks that will keep pace with the increase in claims.

It said severe weather and climate risks have replaced fire as the most important peril for property

Continued on page 6 ➤

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Report urges industry to embrace weather and climate risks

➤ *Continued from front page*

insurance in Canada. Over time, it may displace auto coverage to become the leading product for the insurance industry in Canada, the report said.

The report focuses on the next 10 years, but cautions that if major emitters and governments don't work towards reducing greenhouse gas emissions, by the end of the century there will be a dangerous warming of the climate that would result in severe weather damage that is uninsurable.

It said that over the next decade, the largest impact climate-related risks for the insurance industry will most likely come from random extreme events that strike exposed and vulnerable communities.

Policy discussions about climate change are framed around mitigation and adaptation, but in 2015, Mark Carney, governor of the Bank of England, addressed issues specific to the financial community when he identified three broad channels through which climate change can affect financial stability:

- Physical risks: The impacts today on insurance liabilities and the value of financial assets that arise from climate- and weather-related events such as floods and storms that damage property or disrupt trade;
- Liability risks: The impacts that could arise tomorrow if parties who have suffered loss or damage from the effect of climate change seek compensation from those they hold responsible. Such claims could come decades in the future, but have the potential to hit carbon extractors and emitters—and, if they have liability cover, their insurers—the hardest, and
- Transitional risks: The financial risks which could result from the process of adjustment towards a lower-carbon economy. Changes in policy, technology and physical risks could prompt a reassessment of the value of a large range of assets as costs and opportunities become apparent.

The institute report said that over the next decade, the insurance industry must consistently demonstrate that it is able to manage physical, liability, and transitional risks.

This includes financial and operational capacity to respond to severe weather events, management of underwriting risks associated with policyholder liability exposure and management of investment and reputation risks associated with society's transition to a low-carbon economy.

The report presents three recommendations for the insurance industry in Canada to address climate-related risks over the next 10 years.

First, the industry must embrace the opportunity and manage the risks presented. Consumers and insurers must be confident that pricing, terms, and coverage limits are sustainable and adequately cover expected costs, supported by exposure knowledge, risk reduction information, and loss models. Companies must assess and develop products that meet the evolving severe weather risk management needs of consumers.

The United Nations' Principles for Sustainable Insurance provides industry-specific guidance. The report said brokers and insurers should endorse and implement the principles to help them integrate climate risks into decision making. And the industry should continue to support the development of risk reduction best practices for policyholders and loss data models that inform industry management of flood, wildfire, and other climate-related risks.

Second, insurers must be proactive in disclosing how the industry is handling the risks. The insurance industry must address investment and solvency risks. The report notes that many consumers, investors, and regulators want companies — including insurers — to provide greater disclosure about how they are managing climate-related risks.

The Task Force on Climate-Related Financial Disclosure is working to develop industry-specific advice on disclosure to inform investors and regulators for eight industries, including insurance.

Third, insurers must share industry knowledge to motivate action in others. The report said the insurance industry is working to develop effective loss reduction solutions based on scientific study and industry knowledge.

It said brokers and insurers should share this information with property owners, governments and other decision makers.

The report notes that awareness-building is most effective when accompanied by financial incentives. And insurers that align pricing with risk will reward actions that reduce the risk of loss claims.