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Insurers urged to address political risk

THE RISK of insurance claims stemming from riots and violent political protests in Canada is relatively low but rising and the country's p&c insurers have been warned to prepare.

A new report from the Insurance Institute of Canada says that the risk of damage and disruption from violent social unrest in Canada is likely greater than the risk of loss from terrorism.

The report outlines a number of actions the insurance industry can take to prepare for an expected increase in political risk and civil unrest over the next five to 10 years.

First, it says, the insurance industry needs to be clear in policy wordings and communications where financial protection is or is not provided.

"Canadians should know before major events how insurance will support recovery if damage occurs," the report says.

Second, the p&c industry should be prepared to mobilize quickly during and immediately following an event. For example, approaches in place to respond to extreme weather events can be adapted for a major demonstration.

And it says the industry should also learn more about the factors that contribute to political and social unrest and how these risks can be managed.

The report, titled 'Political Risk: Implications for the insurance industry in Canada,' was authored by Paul Kovacs, a senior researcher with the institute who is well-known in the industry as the founder and executive director of the Institute for Catastrophic Loss Reduction, former president and CEO of the Property and Casualty Insurance Compensation Corp. and former senior VP and chief econo-mist with the Insurance Bureau of Canada.

He said in the report that one thing insurers can do is invest in research to better understand the risk of mass protests becoming violent.

And Mr. Kovacs said the industry should share best practices to reduce the risk that policyholders experience losses.

"The industry can also share its knowledge and experience with policyholders based on loss events in Canada and elsewhere," he said.

"Timely sharing of aggregated insurance data may support loss prevention by policyholders, support better decisions by policymakers and be

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Most Alberta drivers oppose no-fault

MOST ALBERTA motorists prefer the province's current at-fault auto insurance system over a no-fault program, according to a poll by a victims' advocacy coalition of consumers, medical professionals and trial lawyers.

Fair Alberta Insurance Regulations (FAIR Alberta) commissioned the survey by Calgary-based Janet Brown Opinion Research, which found that 63% of Albertans favoured the current system and only 25% indicated a preference for no-fault. An additional 4% expressed support for a mixed system and 8% were undecided.

The poll results are consistent with a similar study conducted in 2021.

"In light of our recent findings, it's evident that Albertans have a strong preference for the at-fault insurance system," said Janet Brown. "Our data shows a majority of the population is not only familiar with the current system but also prefers it over the alternative no-fault model."

The Insurance Bureau of Canada said the results of the survey show that no-fault insurance systems don't work.

Under a no-fault system, parties involved in a collision file and settle claims with their respective insurers, regardless of who was at fault for the accident. Ontario, Quebec, B.C., Nova Scotia, New Brunswick and P.E.I. have no-fault systems and Saskatchewan also has one but drivers can opt out and choose coverage under the tort system.

"One only needs to look across the Rockies to see the tragic stories coming out of B.C.'s public no-fault system to understand how people injured in collisions are denied access to justice and are left to fight a government monopoly insurer to get the compensation they deserve," said Aaron Sutherland, the bureau's Pacific and Western VP.

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Low EV adoption keeping premiums from rising so far

AUTO INSURANCE premiums for electric vehicles are rising rapidly in the U.S., the U.K. and Europe but rates in Canada have not been hit yet because EV adoption rates here remain low.

Victor Adesanya, VP of North American insurance ratings for credit rating analyst Morningstar DBRS, said during a recent online panel discussion that the pool of EVs in Canada is still not significant enough to change the market.

"For drivers who have had an auto collision or a bad driving record, maybe they'll have premiums go up," he said.

"But so far the industry isn't registering significant rate hikes for EVs (in Canada)."

Mr. Adesanya said he expects rate hikes for EVs — which tend to have higher repair and replacement costs than vehicles with internal combustion engines — will come with increased adoption.

"When we all have new EVs, then by that time we'll see rates increase because you have more EVs in the mix.

"Right now, there are still few options for EVs out there.

"People are still holding onto the internal combustion engine cars. But a five- to 10-year horizon is reasonable."

Marcos Alvarez, managing director of global insurance ratings for Morningstar DBRS, moderated the discussion.

He noted that Canada's Electric Vehicle Availability Standard has set a 100% zero-emission vehicle sales target for light-duty vehicles by 2035.

Targets begin for the 2026 model year, requiring that at least 20% of new light-duty vehicles offered for sale will be zero-emission electric vehicles by that time.

The requirements increase annually to 60% by 2030 and 100% by 2035.

Robert Streda, the rating agency's senior VP of diversified industries, said the incentives for EV ownership are currently much more favourable in Europe than in Canada.

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