

What Can Consumers Do To Increase the Affordability of Their Insurance Premiums?

- **Practice Safe Driving:** The best insurance rates are assigned to those with a clean slate when it comes to car accidents and overall driving record.
- **Practice Proper Preventative Maintenance on Your Home:** Preventative maintenance is a smart and easy way to reduce risk in your home. By keeping your home in good repair, you'll make it safe for you, your family and guests and decrease the likelihood of having a claim. Staying claims-free is one way to control your home insurance premiums.
- **Increase Your Deductible:** When you make a claim because you've been in an accident or your vehicle was damaged, a small portion of the claim is usually paid by you first, then your insurance company. The portion you pay is called your deductible. A higher deductible translates to a lower premium in recognition of you assuming more of the risk.
- **Insure Multiple Products:** Standalone insurance is a more expensive route to take. When you insure your house, car, cottage and/or other possessions, you will benefit from reduced premiums through discounts, such as multi-line discounts and/or multi-vehicle discounts.
- **Talk to an Insurance Broker:** Brokers are constantly assessing the insurance marketplace and are in an unbiased position to find the most suitable insurance for the specific needs of each individual.

The insurance industry works behind the scenes to help home, car and business owners pursue their ambitions and build their dreams. While we carry on with our daily activities, insurance professionals measure risk, settle claims and pay taxes. We may not think about insurance very often, but it is there, providing the oxygen that sustains our economy, making investments possible and assisting us when we need help. (IBC)



The Broker Advantage

- **Choice:** Insurance brokers are not employees of an insurance company. They are independent business men and women who work in your community with multiple insurance companies on behalf of consumers.
- **Significant Product Knowledge:** Home, cottage, car, business and more. Brokers are constantly assessing the insurance marketplace and participate in dozens of hours of continuing education each year in order to maintain a strong depth of knowledge.
- **Pricing Awareness:** On homes, cars, businesses and more! Brokers are aware of discounts offered by companies and ways to increase insurance affordability.
- **Claims Advocacy:** Independent brokers pride themselves on offering personalized, caring service to their clients. They understand the confusion and stress felt when a loss occurs. They will help guide you through the claims process.



Please contact your broker to learn more about how you can take control of rising insurance rates.

In theory, an insurance premium reflects the current value of the claims that a pool of policyholders can be expected to make in the future, as well as the cost of administering those potential claims. In most other businesses, the costs of producing and selling a product are known before the price is determined, but P&C insurance is priced before the costs are known. Companies do not know ahead of time how much it may cost to repair a house or a car, nor do they know definitely that they will be called upon to do so. While pricing is based on the latest available information, insurers sometimes still find that claims payouts exceed what they have collected in premiums. (IBC)



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Understanding Rising Insurance Rates

How Consumers Can Take Control



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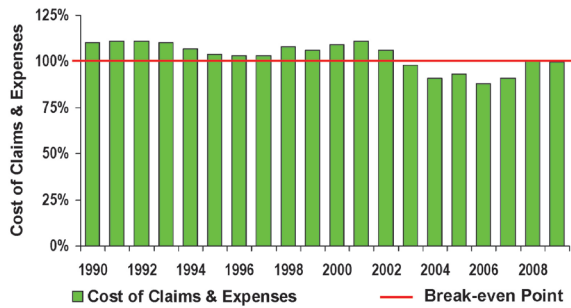
A Basic Explanation of What Has Occurred Over the Past Several Years in the Ontario Insurance Industry

The Impact of Claims Costs & Fraud

- Ontario auto claims inflation continues to outpace premium growth.
- Southern Ontario has become a virtual haven for fraudsters with staged accidents occurring on a regular basis. The result is deteriorating Ontario auto insurance results.
- Insurance fraud costs consumers in Ontario \$1.3 billion in premiums each year
- More than 14% of auto insurance premiums for Ontario drivers go to people who are cheating the insurance system



The Insurance Cycle



Source: IBC Facts Book

Ontario Auto Reform, now offering consumers choice, was introduced on September 1, 2010 and seeks to curb fraud and abuse of auto insurance benefits.

The Impact of Investments

- In general, insurance companies make their profit through their investment operations.
- Poor performing stock market and low interest rates have resulted in lower investment returns for insurers.
- The insurance industry, like every business, needs to produce a reasonable Return on Investment (ROI) to maintain viable operations in Canada. ROIs have been steadily declining over the past several years.

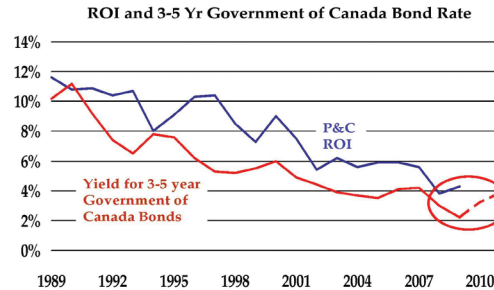


The Impact of Taxes

- The insurance industry pays a disproportionate amount of taxes when compared to other industries.



Interest Rates & Returns Have Been Falling for 20 Years

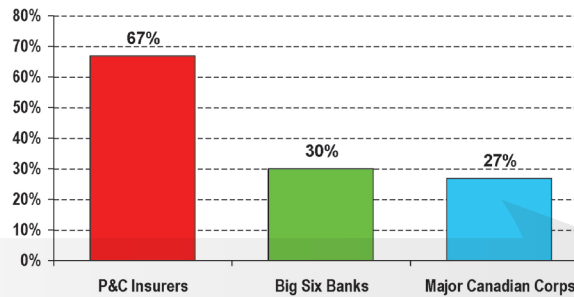


Source: IBC, Facts Book, MSA, Bank of Canada, RBC

- The Harmonized Sales Tax (HST) was introduced in Ontario on July 1, 2010. There is a direct increase in claims costs and operating expenses due to HST.

Taxes on P&C Industry Are Much Higher than on Other Industries

Total Tax Rate (2008)



Source: PricewaterhouseCoopers LLP, "Total Tax Contribution & Regulatory Costs Borne by the Property & Casualty Insurance Industry (2008)"

What is Causing Rates to Increase?

- The main principle of insurance is that the premiums of the many pay for the losses of the few. This allows the typical consumer to protect their assets and safeguard against potential liabilities (lawsuits, fires) for a relatively low cost. When the industry loses money, all consumers contribute to the cost through increased insurance premiums.
- Increasing severity & frequency of weather patterns continue to put upward pressure on prices: July 2009 – Hamilton flooding, \$202 million in gross losses. June 2010 – Toronto "record month" for precipitation. June 2010 – South-Western Ontario Tornadoes
- Home renovations, such as finished basements, have a direct and dramatic impact on increased claims costs.
- Basement flooding is a major concern for many (if not most) urban municipalities -- and, thus, insurers -- in Canada. Increases in the frequency and intensity of heavy rainfall events exacerbated by rising urbanization, deteriorating infrastructure and climate change will increase basement flood risk in the future.
- Lifestyle changes, aging infrastructure and change in the climate are some of the factors that have contributed to the rapid and sustained increase in insurance claims



In the end...

It is the consumer who pays these costs through their insurance premiums.

Average Claims + Fraud + Weather + Taxes = Premiums