



# Let's Talk Premiums



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Is An Insurance Broker**

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## THE MAJOR FUNCTION OF INSURANCE ...

is to provide a system in which the losses of the few are shared among the many. Insurance can be viewed as a large pot into which all premiums are placed. The pot has to provide for the cost of running the business and the payment of the losses of those who have claims.

## WHAT IS PROPERTY & CASUALTY INSURANCE?

Property and casualty insurance includes home, car, and business insurance, but not life insurance. It covers your property against loss or damage from insured perils, injuries, and damages caused to others.

## INSURANCE BROKERS ...

are the intermediaries between insurance companies and the consumer. They deal with several insurance companies, not just one. Their role is to “shop around” and on your behalf obtain the best coverage at the best possible price. These days, however, it isn’t always an easy task.

## WHY ARE INSURANCE PREMIUMS INCREASING?

*Several factors are affecting our insurance premiums. Some of them include:*

*Low return on investment* – During the last three decades, investment income, when added to premiums, covered the cost of claims. However, as we all know, investment returns have declined dramatically since the late 90’s. As a result, insurance companies now have far less investment income to offset underwriting losses.

*Claims* – Although the number of automobile accidents has not changed in recent years, the number and cost of injuries have dramatically increased.

*Fraud* – When others cheat, we all must pay. The Canadian Coalition Against Insurance Fraud estimates that 15 to 22% of personal injury claims are fraudulent – costing the industry \$500 million a year.

*Global catastrophes* such as the 1998 Québec-Ontario Ice Storm, the terrorist attacks of September 11, 2001, and the severe flooding in Europe in 2002, resulted in major claims payments.

*Insurance premiums to other insurance companies* – Insurance companies also buy insurance to protect themselves against large claims caused by natural or other disasters. The cost of this “reinsurance” has increased substantially.

*As a result, insurance companies have increasingly had to pass certain costs on to the consumer.*

## WHAT IS THE ROLE OF GOVERNMENT?

The insurance industry is closely monitored and regulated by both federal and provincial governments to ensure that insurance companies can meet their financial obligations to policyholders. In addition, provincial governments have jurisdiction over market conduct and consumer issues such as rate-setting, sales practices and the conduct of brokers.

## NOW WHAT?

Insurance brokers will continue to search the insurance marketplace on your behalf to find the best policy to suit your needs.

They can also provide service by offering you suggestions on how to control your insurance costs.

## TIPS TO CONTROL YOUR INSURANCE COSTS

### *For all policies*

1. Review your policies with your insurance broker to ensure that you are adequately (but not over-) insured.
2. Raise your deductibles for all policies. Accepting the risk for small losses can save you money.
3. Report insurance fraud to the appropriate authorities.

### *For car insurance:*

1. Not all cars are created equal; some cost less to insure because of lower repair costs and risk of theft. Ask your broker before you buy.
2. Install an anti-theft system.
3. Avoid tickets. The better your driving record, the lower your premiums.
4. Avoid claims by preventing collisions. Drive defensively, sober and awake.
5. Where possible, take public transportation to and from work.

### *For commercial insurance:*

1. Ensure that your employees are aware of safety and hiring practices as well as your workplace's harassment policies.
2. Consult with your insurance broker before expanding into different geographical areas. Costs may vary dramatically.
3. Ask your broker about arranging a complete loss prevention audit to identify possible hazards and offer solutions to reduce exposure to a broad range of risks – from injuries and fire to fraud and theft.

## WHAT IS THE INSURANCE BROKERS ASSOCIATION OF CANADA?

The Insurance Brokers Association of Canada (IBAC) is a federation of 11 provincial and regional associations of property and casualty insurance brokers. Through its member associations, IBAC represents approximately 25,000 insurance brokers in virtually every community across the country.