



SECTION 2

Canada's P&C insurance industry by line of business

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AUTO INSURANCE



In the event of a collision, auto insurance covers the owner of the vehicle, the driver operating the vehicle with the owner's consent, passengers, pedestrians and property.

In 2022, auto insurance, which is required by law in every Canadian province and territory, accounted for approximately 37.7% of the insurance business written by P&C insurers.

Auto insurance falls within provincial jurisdiction, and the rules are slightly different in each province. Mandatory auto insurance requirements are published on [IBC's website](#).

There are about 112 private P&C insurance companies competing for auto and personal property insurance in Canada. In addition to these private insurers, government-owned insurers in British Columbia, Saskatchewan and Manitoba provide the mandatory component of auto insurance in those provinces, in addition to some optional coverages. In Quebec, a portion of the mandatory component is provided by the government-owned insurer and the other portion by private insurers.



MANDATORY INSURANCE



OPTIONAL INSURANCE



"NO FAULT" INSURANCE

AUTO INSURANCE



MANDATORY INSURANCE

There are three kinds of mandatory coverage:

Accident benefits coverage helps people recover from injuries sustained in a collision. It pays for medical care, rehabilitation, income replacement and other applicable benefits to aid the recovery of collision victims, including drivers, passengers and pedestrians. In the case of a death, this coverage also provides funeral expenses and survivor benefits. This insurance is mandatory in all provinces except Newfoundland and Labrador. In some provinces, it is referred to as “Section B” benefits.

Accident benefits are paid on a no-fault basis. This means that the benefits are available to anyone injured in a vehicle collision regardless of whether they were “at fault” for the collision. See details under the “No-Fault Insurance” heading in this section.

Third-party liability (TPL) coverage protects the insured driver and/or owner of the vehicle if the motor vehicle injures or kills someone or damages someone’s property through the fault of the driver. TPL is required by law in all provinces. Within TPL coverage, most provinces operate a direct compensation property damage (DCPD) vehicle damage framework, whereby a driver works with their own insurer to repair their vehicle and other damaged property inside the vehicle instead of recovering damages from the at-fault driver. DCPD is in place in Alberta, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador.

Uninsured auto coverage protects an insured person if they were injured through the fault of a driver who does not have auto insurance or is unidentified.

OPTIONAL INSURANCE

Collision and comprehensive insurance are optional in all provinces except Saskatchewan and Manitoba, where both are mandatory.

Collision coverage pays for the cost of repairing or replacing a vehicle following a collision with another vehicle or object, such as a tree, house, guardrail or pothole. Comprehensive coverage pays for repairs to or replacement of a vehicle for damage caused by something other than a collision; for example, fire, theft, vandalism or wind.

“NO-FAULT” INSURANCE

The concept of “no-fault” insurance developed over time as a way to reduce the legal and administrative costs associated with having to prove fault in a vehicle collision in order to recover damages for the losses that were suffered.

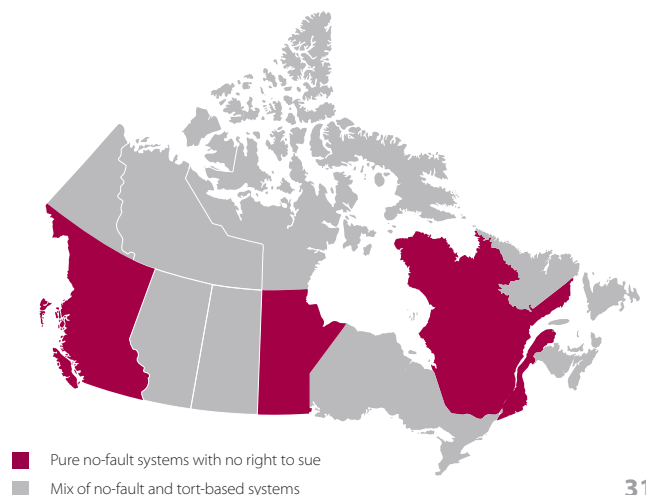
Before no-fault, insurers required those involved in a collision to establish which driver was at fault. The insurer of the at-fault driver would be responsible for paying toward the losses resulting from injuries arising from the incident that were suffered by those who were not at fault. This process was lengthy and required expensive investigation and often litigation.

In a pure no-fault car insurance system, if a person is injured or their car is damaged in a collision, the person deals directly with their own insurance company, regardless of who is at fault. The injured person does not have the right to sue the person who was at fault to recover damages for their injury.

In most provinces and territories, the person who did not cause the collision has the right to sue the at-fault driver for damages. In some provinces, however, the person who did not cause the collision has the right to sue the at-fault driver for pain and suffering damages only if their injuries meet a prescribed threshold.

Every province offers some degree of no-fault insurance. Three provinces – BC, Manitoba and Quebec – have pure no-fault systems. Other provinces use a mix of no-fault and tort-based systems. Some specify accident benefits limits and the right to sue for additional compensation under certain specified situations, such as when injuries are determined to be permanent and serious.

Every province and territory offers some degree of no-fault insurance.



AUTO INSURANCE



Premiums and claims

Private insurers wrote auto insurance policies for a total of \$25.3 billion in direct written premiums in 2022.

Automobile insurance premiums, like all insurance premiums, are determined based on risk. Insurers estimate how likely it is that a customer – and a group of customers with a similar set of circumstances – will make a claim, and how much those claims will likely cost in a given year. A number of factors help to determine car insurance premiums. These include where a customer lives, the type of vehicle the customer drives, how the vehicle is used, and the customer's driving record and driver profile. (A driver profile includes the claims history of a group of customers of the same age, for example.)

In 2022, Canadian private P&C insurers paid out \$16.2 billion in direct claims incurred to policyholders for all types of auto insurance coverage: third-party liability, accident benefits, collision and comprehensive, and other coverages. Auto claims payouts accounted for 46% of all direct claims incurred. The vast majority of total auto claims – 83.8% – were for incidents involving private passenger vehicles.

A note about terminology: The following three tables show claims costs by accident year, which is how much insurers will have to pay out regarding all incidents that occurred in that year (in some instances, claims arising from those incidents may be paid in future years).

COSTS OF CLAIMS FOR PRIVATE PASSENGER AUTO BY TYPE OF COVERAGE IN \$000, 2010 TO 2021

	THIRD-PARTY LIABILITY (INCLUDES DCPD WHERE APPLICABLE)	ACCIDENT BENEFITS	COLLISION	COMPREHENSIVE	OTHER	TOTAL
2010	4,340,868	3,984,641	1,158,894	749,435	462,395	10,696,232
2011	4,184,042	2,329,416	1,236,996	643,629	458,496	8,852,579
2012	4,277,284	2,387,209	1,238,674	787,297	421,193	9,111,656
2013	4,646,659	2,626,543	1,384,071	802,441	459,440	9,919,155
2014	4,847,109	2,678,646	1,491,894	856,949	483,262	10,357,860
2015	5,396,752	2,996,881	1,601,844	895,824	533,254	11,424,555
2016	5,641,068	3,053,712	1,744,014	1,105,876	622,484	12,167,155
2017	5,907,509	2,789,388	1,922,661	951,612	710,013	12,281,183
2018	6,173,696	2,806,636	2,134,081	1,080,355	843,953	13,038,721
2019	6,411,767	2,923,307	2,257,751	1,082,367	885,782	13,560,974
2020	4,512,634	2,111,772	1,543,811	1,314,826	714,665	10,197,709
2021	4,581,216	2,134,407	1,660,898	1,315,389	812,945	10,504,854

Source: IBC with data from GISA exhibit AUTO1010-CW-2021
Ontario, Alberta, Atlantic Provinces, Yukon, Nunavut, Northwest Territories

AUTO INSURANCE



PRIVATE PASSENGER AUTO INSURANCE CLAIMS, 2021

	THIRD-PARTY LIABILITY (INCLUDES DCPD WHERE APPLICABLE)	ACCIDENT BENEFITS	COLLISION	COMPREHENSIVE
Number of insured vehicles	12,408,054	12,394,908	8,532,012	9,349,783
Number of claims	289,970	83,897	193,780	275,642
Total cost of claims	4,581,216,247	2,134,406,746	1,660,897,630	1,315,389,098

Source: IBC with data from GISA exhibit AUTO1010-CW-2021

COMMERCIAL AUTO INSURANCE CLAIMS, 2021

	THIRD-PARTY LIABILITY (INCLUDES DCPD WHERE APPLICABLE)	ACCIDENT BENEFITS	COLLISION	COMPREHENSIVE
Number of insured vehicles	882,653	880,871	358,867	453,310
Number of claims	13,468	2,068	5,153	9,352
Total cost of claims	370,062,314	68,014,623	69,652,188	89,102,534

Source: IBC with data from GISA exhibit AUTO1010-CW-2021

Average losses

Insurers track loss amounts in two ways. They calculate the average cost per claim (severity) and the average cost per insured vehicle (loss cost).

The average cost per claim is calculated by dividing the total cost of claims by the number of claims. In 2021, the national average cost per claim for private passenger auto insurance claims was $\$10,504,854,329 \div 929,893 = \$11,297$.

The claims cost per insured vehicle is calculated by dividing the total cost of claims by the number of insured vehicles. In 2021, the national average claims cost per insured private passenger vehicle was $\$10,504,854,329 \div 12,408,054 = \846 .

AVERAGE COST (\$) PER CLAIM BY TYPE OF COVERAGE FOR PRIVATE PASSENGER AUTOMOBILE INSURANCE, 2017 TO 2021

TYPE OF COVERAGE	2017	2018	2019	2020	2021
Third-party liability	14,036	14,376	14,727	16,237	15,799
Accident benefits	23,089	23,164	23,891	26,822	25,441
Collision	6,962	7,310	7,606	7,981	8,571
Comprehensive	3,280	3,594	3,682	4,730	4,772

Source: IBC with data from GISA exhibit AUTO1010-CW-2021

AVERAGE COST (\$) PER INSURED VEHICLE BY TYPE OF COVERAGE FOR PRIVATE PASSENGER VEHICLES, 2017 TO 2021

TYPE OF COVERAGE	2017	2018	2019	2020	2021
Third-party liability	503.32	514.54	525.31	368.4	369.21
Accident benefits	237.69	233.98	239.89	172.62	172.2
Collision	234.51	256.19	267.35	182.49	194.67
Comprehensive	104.2	117.07	116.58	140.81	140.69

Source: IBC with data from GISA exhibit AUTO1010-CW-2021

HOME INSURANCE



Unlike auto insurance, the purchase of home or personal property insurance is not mandated by law. However, it provides coverage for an individual's single largest investment – a home. In fact, most banks and mortgage holders require proof of insurance on property as security for the loan or mortgage.

As the second-largest line of P&C insurance business after auto insurance, home or personal property insurance includes house, condominium, cottage, mobile home and tenant's insurance. It covers the property, personal belongings and personal liability of the policyholder and the policyholder's spouse or partner, children (with age limits) and dependants (with age and other limits).

As with all insurance premiums, insurers consider a number of risk factors to determine the price they charge an individual for home insurance. For example, insurers look at the neighbourhood and the frequency and types of past claims in that area; the cost to replace a home's contents and restore a home to its previous condition; the condition and age of the roof; the type of heating, electrical and plumbing systems; and details about any additional structures on the property.

Insurers analyze these risks to estimate how likely it is that a policyholder, or a group of people with a similar set of circumstances, will make a claim and how much that claim will cost.

Types of coverage

Home insurance generally covers a homeowner's residential building, outbuildings, contents, additional living expenses (if an insured event damages the home so that it is uninhabitable during the repairs) and personal liability. Tenant's insurance generally covers loss of or damage to personal belongings, additional living expenses and personal liability.

There are various types of policies:

- **An all-perils policy** provides coverage for a home and its contents from loss or damage from all perils except those specifically excluded. A peril is a chance event that is unexpected and accidental. Some perils are excluded from all-perils policies – for example, earthquakes. Coverage for this peril may be purchased as a policy add-on. Optional coverage for the peril of overland flooding has become more widely available for homeowner's insurance policies in the last five years. In 2015, some insurers began offering this coverage and, since then, others have entered the market.
- **A broad-form policy** provides coverage for a home from loss or damage from all perils except those specifically excluded, but only insures the contents against perils that are specifically named in the policy.
- **A standard, basic or named perils policy** provides coverage for a home and its contents against perils specifically named in the policy.
- **A no-frills policy** provides very basic coverage for a property that does not meet an insurer's normal underwriting standards.

Premiums and claims

In 2022, private P&C insurers wrote \$17.4 billion in direct written premiums for personal property insurance and paid out \$9.9 billion for direct claims incurred.

BUSINESS INSURANCE



Operating a business comes with an element of risk and unpredictability. Businesses, including non-profit organizations such as charities, buy insurance as part of an effective risk management plan. In large enterprises, risk managers evaluate any perils to the business, implement programs to reduce and manage those dangers, and buy insurance to backstop remaining exposures.

Smaller businesses without the benefit of risk managers depend more on the advice of insurance representatives to identify risks and help them choose the appropriate insurance to guard against potential losses.

Much like any other business, home-based businesses require coverage for possible business-related losses. For example, a home-based business owner may require commercial liability coverage since business risks may not be covered by the liability section of their home insurance policy.

Types of coverage

There are various types of business insurance policies:

- **Commercial general liability** covers a business and its employees for actions against them that result in bodily injury, property damage, personal injury, advertising injury, tenant's legal liability and other types of loss or damage to third parties.
- **Commercial property insurance** is designed to protect the physical assets of a business against loss or damage from a broad range of causes. Physical assets include:
 - Equipment
 - Inventory and supplies
 - Office furniture and fixtures
 - Computers and electronics
 - Personal property of employees while on-site
 - Customer property at the business site
 - Lighting systems
 - Windows
 - Outdoor signs.
- **Directors' and officers' liability insurance** covers directors and officers of organizations for actual or alleged errors, breach of duty, errors or omissions, misleading statements and neglect in carrying out their responsibilities for the organization.
- **Errors and omissions or professional liability insurance** covers individuals and organizations that give professional advice (for example, consultants and financial planners). It protects them if clients claim damages as a result of inaccurate advice, misrepresentation, negligence, or violation of good faith and fair dealing.
- **Business interruption insurance** can cover against lost earnings during the period of a shutdown due to an insured event such as a fire or explosion. It can cover the time the business needs to resume profitability. Some business owners buy additional insurance to cover extra operating expenses – for example, a new telephone system, extra advertising costs, rentals and moving costs – if the business must carry on at another location or outsource work during the shutdown.
- **Cyber insurance** can cover losses related to a cyber attack. Coverage may include:
 - Regulatory defence expenses
 - Legal and civil damages
 - Security breach remediation and notification expenses
 - Crisis management expenses
 - Forensic investigations expenses
 - Computer program and electronic data restoration expenses
 - E-commerce extortion and reward payments coverage
 - Business interruption and additional expenses.

Premiums and claims

In 2022, private P&C insurers wrote \$15 billion in direct written premiums for commercial property insurance and paid out \$6.6 billion in direct claims incurred.

Also in 2022, private P&C insurers wrote \$11.5 billion in direct written premiums for commercial liability insurance and paid out \$3.8 billion in direct claims incurred.



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