

## Access to auto and home insurance: an issue?

*Executive summary*  
June 2010

Damage insurance (home and auto) is offered to ensure financial security in case of fire, theft, accidents or lawsuits, and to guarantee peace of mind. Home insurance in particular is an essential component of a household's financial security. Given the high premiums, which take up a large part of the family budget in the case of modest income households, we wanted to determine whether all Canadians have access to home and auto insurance suited to their needs.

After a brief history of insurance, the first chapter of our report draws a portrait of the home and auto insurance industry, and of the legal framework and regulation method for this industry<sup>1</sup>.

Chapter 2 reviews the literature and available data on issues of Canadians' access to home insurance and their level of coverage. We studied the factors that determine the various populations' levels of coverage, and we discuss the interpretations of this reality.

Chapter 3 presents the results of the investigation we conducted to better understand the causes of non-insurance by interviewing uninsured individuals.

Chapter 4 reviews our research into measures that could be considered to increase access to home insurance. The research focused on what has been done to that effect in home and auto insurance in Europe and the United States. This enabled us to identify the best practices in terms of access to insurance. Finally, a short chapter presents the reaction of industry representatives to our research.

Motorists from all provinces are required to be protected by minimal public liability insurance. As a counterpart, where no public corporation guarantees universal access, the law requires insurers to set up a mechanism for enabling all automobile owners to find an insurer.

With regard to home insurance, our investigation led us to confirm that the problem of uninsured homes essentially results from an imbalance between the market supply and the resources of uninsured households. The lower the household income, the greater the proportion of people who find insurance premiums too high. Many decide that they have too little property for insurance to be worthwhile. It should be noted that if those people were adequately informed of the risks they incur, particularly in the absence of civil liability coverage, and if they were offered minimal coverage suited to their needs and resources, many of them would certainly re-evaluate their needs. An information campaign on civil liability coverage could help dispel the idea that home insurance is useful only to those who own property of relatively high value.

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<sup>1</sup> Regulation in the sense of "adjusting a movement, a flow rate". Maintaining in balance the operation of a complex and highly structured system.

### La force d'un réseau

#### Nos membres réguliers

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Insurers remain passive regarding this problem and show very little interest in dwelling on it, but prefer to deny it or to put the entire blame on the carelessness or negligence of consumers. Very little effort is made to reach consumers in disadvantaged neighbourhoods. Moreover, this disengagement by authorities and insurers appears widespread around the world: Very few mechanisms exist to improve access to home insurance.

Given that the price of insurance seems, despite the denials, too high for low-income households, due to two combined factors – higher premiums and insufficient income, access mechanisms should evidently be paired with an adapted and affordable product.

We recommend, notably:

To governments:

- **That they induce insurers to make greater efforts to reach and inform the lowest-income and least-insured households about the risks and consequences of lacking coverage;**
- **That they examine more closely the consequences on low-income households of a risk-pricing method that most penalizes the most disadvantaged people.**

To provincial governments:

- **That they establish adapted home insurance programs that would be offered to low-income households, whether homeowners or tenants;**
- **That the costs of such programs be assumed by insurance providers.**

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French version available on our website.

The present document summarizes a research report published by Union des consommateurs in June 2010 as part of a research project funded by Industry Canada's Office of Consumer Affairs. This report is available in French and in English on our website.