ACCESS TO HOME AND AUTO INSURANCE: an issue?

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Union des consommateurs is a member of the International Consumer Organization (ICO), a federation of 234 members from 113 countries.

The masculine is used generically in this report.

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UNION DES CONSOMMATEURS, *Strength through Networking*

Union des consommateurs is a non-profit organization whose membership is comprised of several ACEFs (*Associations coopératives d'économie familiale*), *l'Association des consommateurs pour la qualité dans la construction* (ACQC), as well as individual members.

Union des consommateurs' mission is to represent and defend the rights of consumers, with particular emphasis on the interests of low-income households. Union des consommateurs' activities are based on values cherished by its members: solidarity, equity and social justice, as well as the objective of enhancing consumers' living conditions in economic, social, political and environmental terms.

Union des consommateurs' structure enables it to maintain a broad vision of consumer issues even as it develops in-depth expertise in certain programming sectors, particularly via its research efforts on the emerging issues confronting consumers. Its activities, which are nation-wide in scope, are enriched and legitimated by its field work and the deep roots of its member associations in the community.

Union des consommateurs acts mainly at the national level, by representing the interests of consumers before political, regulatory or legal authorities or in public forums. Its priority issues, in terms of research, action and advocacy, include the following: family budgets and indebtedness, energy, telephone services, radio broadcasting, cable television and the Internet, public health, food and biotechnologies, financial products and services, business practices, and social and fiscal policy.

Finally, regarding the issue of economic globalization, Union des consommateurs works in collaboration with several consumer groups in English Canada and abroad. It is a member of *Consumers International* (CI), a United Nations recognized organization.

INTRODUCTION

General (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. Depending on household income, it can take up a large part of the family budget.

The consequences of theft, fire or flooding can be devastating for a household. The latter may lose all or part of its possessions and find itself on the street. The costs of temporary and permanent relocation, the replacement of personal items, and even of the house, are so high that almost no one can face them just with savings or current revenue inflows without suffering a radical drop in standard of living and an explosion of debt. Home insurance protects against this type of catastrophic situation. If disaster strikes, an insured household is compensated for related losses. In addition, home insurance protects against eventual civil liability claims, i.e., against a claim by a third party (a neighbour, for example) who has suffered damage due to an accident or disaster (e.g.: a fall in stairs or a fire) that has occurred or originated in the insured's residence.

On the road, the risks, costs and consequences of an automobile accident are such that virtually all jurisdictions in developed countries have made civil liability insurance mandatory for issuing a driver's licence[1]. With housing, mortgage lenders, to protect their investment, require that the home whose purchase they are financing be covered by insurance. For all other Canadian households, acquiring home insurance is "a matter of choice."

ACCESS TO HOME INSURANCE

Given that home insurance seems elementary for protecting financial and even psychological security, how is it that some households are still uninsured? The question is all the more important because the fact that part of the population is uninsured has consequences borne by everyone: indeed, there are economic and social costs when people find themselves on the street after their estate has gone up in flames. If a major disaster hits a location where many uninsured households reside, the entire population risks paying the bill for relocating and compensating the disaster victims.

Why then are some households uninsured? Do all Canadians have access to home and auto insurance, at reasonable prices? How many of them do not take out home or auto insurance? Is it by choice or necessity? Are there obstacles preventing some households from acquiring insurance? Do Canadians have access to affordable home insurance? Ultimately, how can access to home insurance be improved and result in more households being covered? These are the questions addressed by this study.

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[1] With the notable exceptions of New Hampshire, Virginia and South Africa.
On this subject, see the Wikipedia page reviewing the situation in several countries and providing links to national authorities or legislations: **WIKIPEDIA**, "Vehicle Insurance," *Wikipedia: the free encyclopedia*, no location, latest modification: March 13, 2010, [online] http://en.wikipedia.org/wiki/Vehicle_insurance (page consulted on March 18, 2010).

The initial research project pertained to access to auto and home insurance. However, during preliminary research, nothing indicated a problem of access to auto insurance. Inversely, as we will see, there is definitely a problem of access to home insurance. Accordingly, in matters of access to insurance, we have focused on home insurance. Still, we have not excluded from our research an examination of auto insurance. The two fields use a similar logic, and a study of the auto insurance market, legal framework and practices, particularly in regulating the market, certainly leads to a better understanding of the situation and possibilities of home insurance.

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[2]. We will address the situation prevailing in Canadian jurisdictions.

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. Our 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.

ACCESS TO AUTO INSURANCE: A LESS PROBLEMATIC SITUATION?

Our preliminary research quickly led us to conclude that there was no apparent problem of access to auto insurance. The literature in any form or from any provenance points to nothing indicating that some segment of the population is actually deprived of access to auto insurance. The first explanation is very simple: In Canada, every driver must be covered by minimal civil liability insurance. Of course, there are differences across Canada with regard to minimum levels of coverage for bodily injury and material damage that are required by the type of insurance (no-fault or tort liability insurance; private or public plan). This leads to differences in cost and coverage between provinces and territories, but the fact remains: every driver must be insured, failing which he faces very severe administrative sanctions and fines. So it is not surprising that no drivers are uninsured.

There is also an assumption that people might be prevented from driving because they are incapable of finding an insurer or that the required premiums might be prohibitive. But we have found no indication that this would be a problem affecting a substantial number of people. The Associations coopératives d'économie familiale (ACEFs) that are members of Union des consommateurs, notably, were very solicited to report cases of persons who had experienced problems finding auto insurance or had given up because of price. The results of this solicitation were not conclusive, either in number (we received very few answers) or in substance. We also solicited visitors to our website to report to us any problems they may have experienced

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[2] Regulation in the sense of "regulating a movement, a flow." Maintaining in balance a complex and structured system.

regarding access to auto insurance. Those requests remained unanswered, except for one case where insurers refused to issue a policy because of a criminal record.

There does not appear to be a serious problem with auto insurance, in the sense of a situation that would be socially unacceptable. And yet, nothing seems to justify that access to driving is considered a fundamental right. Given the extraordinary environmental costs[3], the social costs (the segmentation of populations and urban spaces), the economic costs (astronomic in maintaining infrastructures, obtaining oil[4], etc.) and the public health costs (the number of road accident victims, the consequences of sedentariness, of pollution, etc.), driving should not be encouraged. On the contrary, alternatives should be sought, and as many people as possible should be encouraged not to use their vehicle. So there is no room for pleading a fundamental right to have or drive an automobile.

With the return of tolls on Quebec roads[5], the trend is to have drivers bear a greater and greater share of the costs and problems generated by their means of transportation. It thus does not appear particularly difficult to accept that it is costly to be a driver. Similarly, it does not seem particularly scandalous or counterproductive socially that people with a record of dangerous driving pay higher premiums or are even refused by insurers. But we may question criteria related to the personality of drivers, such as age, gender or marital status, to characterize drivers deemed more at risk. In fact, although the use of such criteria is a recognized practice, other risk assessment methods exist that use variables such as the personal driving record, the number of driving years and the history of average loss regarding vehicles, by model and make; using these criteria would make it possible to forego criteria involving generally forbidden discrimination. A generalized adoption of alternative risk assessment methods would thus appear highly desirable, since they better comply with respect for human rights as is upheld by our charters.

Inversely, there seems to be a real problem of access to home insurance. As we will see, several available studies indicate that a substantial part of the population is not covered by home insurance.

Beyond the quantitative factor, which distinguishes the issue of home non-insurance from that of auto non-insurance, it should be noted that the consequences of being uninsured are more serious in the case of home insurance. A person who cannot obtain auto insurance has the risk purely and simply eliminated by law: he cannot drive and will be inconvenienced by having to find another means of transportation. But a person who cannot insure his residence will not have the opportunity to have his risk eliminated; he must bear the risk alone.

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[3] The transportation sector is the largest emitter of greenhouse gases in Quebec.
MINISTÈRE DES TRANSPORTS DU QUÉBEC, "Effet de serre et changements climatiques," website of the ministère des Transports du Québec, Québec City, Quebec, 2007, [online] http://www.mtq.gouv.qc.ca/portal/page/portal/ministere/ministere/environnement/changements_climatiques/effet_serre_changements_climatiques (page consulted on February 12, 2010).

[4] **INSTITUT DE LA STATISTIQUE DU QUÉBEC**, "Importations internationales selon les produits, en dollars courants, Québec et Canada, janvier-décembre, 2008 et 2009," Commerce international - Données annuelles, Institut de la statistique du Québec, Québec City, Quebec, 2010, [online], http://www.stat.gouv.qc.ca/donstat/econm_finnc/comrc_exter/comrc_inter_inter/imp_prod_2009.htm (page consulted on February 12, 2010).

[5] The bridge on the A-25 between Montreal and Laval, scheduled to be inaugurated in 2011, and the extension of Highway 30 are expected to have a toll system. The City of Montreal is also in favour of a toll system in the metropolitan area.

Whether or not the uninsured individual is aware of it, his situation makes him vulnerable to the consequences of a disaster, theft, or civil liability claim. The weight of those consequences will of course vary depending on the disaster and the type of property lost: from a few hundred dollars, making it difficult for him to meet his budget or imposing sacrifices in replacing the items, up to the loss of all the estate accumulated over the years, without having the means to relocate in decent conditions. The same applies to civil liability, which may entail a temporary financial burden or a cause of bankruptcy.

To be uninsured is therefore to be vulnerable. A person who cannot or will not pay for auto insurance is refused the right to be exposed to risk: vulnerability is prohibited. But in housing, since everyone must live in a residence and is exposed to related risks without the obligation and in some cases the means to protect oneself against those risks, vulnerability is allowed.

If the cost of his insurance increases, a driver may, to have his premiums decrease, change his vehicle or his transportation patterns, or he may decide to stop driving. In the case of housing, a consumer who wants to prevent an increase in premiums will only face choices worsening his vulnerability: less coverage, increased “deductible,” even not being insured. As we will see, this issue of home insurance pricing most affects our most vulnerable fellow citizens.

Given these considerations, we have focused on home insurance when discussing issues of access to insurance. However, with regard to regulatory frameworks and insurance access mechanisms, we have also studied auto insurance, because the best practices in this field might inspire solutions for home insurance.

1. HISTORY AND DEVELOPMENT OF INSURANCE

1.1 HISTORY

Trade globalization, which is hardly a recent phenomenon, virtually gave birth to insurance law. Indeed, the first insurance contracts appeared in the XIVth century, when mutual assistance was used in maritime commercial transportation. A new risk-transfer method was developed to bypass the prescriptions of canon law, because mutual assistance terms then in effect had been prohibited as usurious.[6] This practice of solidarity by putting goods "in pawn" was already present in the Vth century B.C., as we can observe in reading the Babylonian Talmud:

> *"Les marins peuvent convenir entre eux que, si l'un perd son navire, on lui en construira un autre. Si l'un d'eux a perdu son navire par sa faute, on n'est pas obligé de lui en donner un autre. S'il l'a perdu en allant à une distance où les navires ne vont pas d'ordinaire, on n'est pas obligé de lui en construire un autre."* [7]

Even today, this ancient principle finds application, to a certain extent, in insurance law, as mentioned in article 2464 of the *Civil Code of Québec.*[8]

The XIVth century saw the creation of modern insurance:

> *"Alors apparaissent les premiers contrats d'assurance par lesquels un "assureur" s'engage envers un "assuré," moyennant le paiement d'une prime ou cotisation, à l'indemniser du préjudice que subissent ses biens par suite de la réalisation d'un risque de mer."* [9]

France largely codified maritime insurance in the XVIIth century. Anglo-Saxon law, by codifying in 1906, under the "Marine Insurance Act," the rules of English maritime law, had a crucial influence on global maritime insurance.[10]

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[6] **VENDIN,** Eric, Histoire de l'assurance : L'assurance est le fruit de la mondialisation des échanges marchands, article available on the website of News-Assurance, Paris, France, March 29, 2009. [online] http://www.news-assurances.com/lassurance-est-le-fruit-de-la-mondialisation-des-echanges-marchands/01677664 (page consulted on May 19, 2010).

[7] **DESJARDINS, Arthur,** *Traité de droit commercial maritime,* tome VI, Paris, 1887, p. 11, § 1290. Available on the website of Google livres, [online] *http://books.google.ca/books?id=ISopAAAAYAAJ&printsec=frontcover&dq=Desjardin,+t.+VI,+%C2%A7+1290&lr=&source=gbs_book_other_versions_r&cad=2_2#PPA11,M1* (page consulted on May 19, 2010).

[8] *Civil Code of Québec*, sec. 2464. "The insurer is liable to compensate for injury resulting from superior force or the fault of the insured, unless an exclusion is expressly and restrictively stipulated in the policy. However, the insurer is never liable to compensate for injury resulting from the insured's intentional fault. Where there is more than one insured, the obligation of coverage remains in respect of those insured who have not committed an intentional fault."

[9] **FÉDÉRATION FRANÇAISE DES SOCIÉTÉS D'ASSURANCES**, *Les prémices de l'assurance maritime, une page d'histoire*, available on the website of the Fédération Française des Sociétés d'Assurances, Paris, France, no date. [online] http://www.ffsa.fr/ffsa/upload/reprise/docs/application/pdf/2010-03/unepagedhistoire.pdf (page consulted on May 19, 2010).

[10] **FÉDÉRATION FRANÇAISE DES SOCIÉTÉS D'ASSURANCES**, *Les prémices de l'assurance maritime, une page d'histoire*, available on the website of the Fédération Française des Sociétés

The application of insurance to all sectors of activity in society soon followed.

1.2 OVERVIEW

Insurance is in itself a fight against the effects of misfortunes – a defence against future risks. This need to entrust one's security to a third party did not exist in an era when individuals were better protected by the family unit and when social solidarity was much more prevalent. With industrialization and urbanization came a rise in individualism and a loosening of family solidarity; the financial insecurity of individuals then became acute. Thanks to insurance, individuals now had a choice: save money or take out insurance.

While individual saving can serve to put aside certain amounts that can be used in case of a disaster, this defence against fate has obvious limitations. The total amounts saved will have to be high if the saver wants to be able to compensate for losses he could suffer in a disaster. In addition, those amounts, if intended for that sole purpose, will represent a considerable quantity of resources that will not be available for other purposes. In fact, the amounts saved will be frozen until disaster strikes, whereas it may likely never hit the saver, but rather his neighbour.

This calculation of probabilities explains the common sense basis for pooling resources to compensate one of the members of the group. If misfortune falls one in ten times, ten individuals may reasonably pool their resources to make the amount thus accumulated available to compensate the person who suffers a disaster.

Mutuality is one of the essential features of insurance: risks are pooled by many insured persons, thus enabling injured persons to receive benefits proportional to their individual contribution. The insurer is the middleman who manages the system and allocates risks scientifically on the basis of statistics and probabilities[11]. Insured persons thus pool their premiums, and the amounts accumulated serve to compensate injured persons when the insured risk materializes. This is a collective struggle against the hazards of fate, with the insured risk as an uncertain event, independent of the will of the parties.

1.3 DIFFERENT TYPES OF INSURANCE

There are several types of insurance. Insurance may be public or private. The term *public insurance* means both insurance "that legally and technically corresponds largely to that of private insurance but is offered by public organizations"[12] and "social" insurance," which "does not follow the rules of actuarial science"[13] (employment insurance, health insurance, etc.). Private insurance is divided into maritime and land insurance. Personal insurance is part of land

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d'Assurances, Paris, France, no date. [online] http://www.ffsa.fr/ffsa/upload/reprise/docs/application/pdf/2010-03/unepagedhistoire.pdf (page consulted on May 19, 2010).

[11] **LLUELLES** Didier, *Précis des assurances terrestres*, 4th ed., Thémis, Montreal, Canada, 2005, p. 4-5.

[12] The automobile insurance plan of the Société de l'assurance automobile du Québec (SAAQ), for example, belongs in this category. Our translation.

[13] **FONTAINE,** Marcel, *Droit des assurances*, Larcier, France, 2006. (Précis de la Faculté de Droit de l'Université catholique de Louvain). Our translation.

insurance, as is property insurance (general insurance); they may be individual or collective. Personal insurance covers the life, physical integrity and health of individuals. Table 1 presents a summary of the various types of insurance.

TABLE 1
Different Types of Insurance

<table>
<tr><th colspan="2">PUBLIC INSURANCE</th><th colspan="5">PRIVATE INSURANCE</th></tr>
<tr><td rowspan="3">Public insurance that legally and technically corresponds largely to that of private insurance but is offered by public organizations</td><td rowspan="3">“Social” insurance, which does not follow the rules of actuarial science</td><td colspan="4">Land Insurance</td><td>Maritime Insurance</td></tr>
<tr><td colspan="3">Personal insurance (covering the life, physical integrity and health of individuals)</td><td rowspan="2">General insurance (covering property)</td><td rowspan="2">Maritime insurance (covering maritime disasters)</td></tr>
<tr><td>Life insurance</td><td>Annuities</td><td>Supplementary health and disability insurance plans</td></tr>
</table>

Note: the above text (from the beginning of the chapter to this point) is taken from the research titled *Effective Recourse in Personal Insurance,* Union des consommateurs. Montreal, 2010.

A) General Insurance

General insurance includes the sectors of automobile insurance, home insurance and business insurance.[14] In each of these sectors, it may involve the protection of property as well as civil liability. The latter protects the policy holder against damages claims that might be brought by a third party affected by an act or a loss for which the insured would be liable.

Standard financial institutions and products such as life insurance, annuities (registered retirement savings plan (RRSP), registered retirement income fund (RRIF) and pension plan) manage assets in an attempt to increase them. Rather than convert savings into investments, general insurance pertains to risk management and mitigation.[15] The insured individual is thus protected against the costs and consequences of a disaster that could imperil his financial situation. He does not seek profit or gain, but protection against an eventual loss. He has no guarantee that he will receive an amount of money. He will be compensated only if a disaster occurs.

[14] **INSURANCE BUREAU OF CANADA (IBC)**, “Consultation relative aux pratiques commerciales dans le secteur du courtage en assurance de dommage au Québec,” comments presented to the Autorité des marchés financiers, Insurance Bureau of Canada, Montreal, Canada, September 2005, p. 6.
[15] **IBC**, “Insurance Bureau of Canada Submission in Response to Finance Canada's 2006 Review of Financial Sector Legislation,” Strengthening the Framework: Refining the Legislative Framework for Financial Institutions. Consulting with Canadians, Department of Finance Canada, Ottawa, Canada, June 1, 2005, [online] http://www.fin.gc.ca/consultresp/06rev_15-eng.asp (page consulted on February 1, 2010).

2. INSURANCE IN CANADA

Automobile insurance and home insurance are part of general insurance and have a similar logic (they aim to compensate in the event of accidents), largely follow the same rules, and are offered by the same players. But in some ways they are quite different: automobile insurance is less regulated than home insurance.

We will first summarize the regulatory framework of this industry and then describe the latter.

The sale of insurance is a financial service. The insurer collecting premiums must prudently manage the capital thus amassed, and keep substantial cash reserves to always be able to face claims for compensation. Accordingly, insurance providers are regulated as are other financial institutions and providers of financial products, and under similar terms: their financial stability, risk management, necessary reserves of capital, investment practices and sales practices are supervised and regulated.[16] However, damage insurers (automobile, home and business insurance) reportedly face more-rigorous capital requirements.[17]

2.1 FEDERAL AND PROVINCIAL REGULATIONS

In Canada, insurance is a shared jurisdiction between the federal government and the provincial governments. The Canadian Constitution grants the provinces exclusive jurisdiction in matters of property and civil rights[18]. This allows the provinces to regulate business practices in the sale of insurance, the types of insurance that may be sold, who can sell insurance, and the terms of insurance contracts.

The Constitution does not explicitly grant any jurisdiction to the federal government with regard to insurance. However, Canadian caselaw has recognized that the federal government has the power to regulate the constitution, authorization, capital governance, and solvency of federal insurance companies.

Accordingly, the Office of the Superintendent of Financial Institutions (OSFI) supervises the financial stability of insurance providers with federal charters. "However, provincial authorities predominate in the supervision of the terms and conditions of insurance contracts and the licensing of companies, agents, brokers and adjusters."[19]

In Quebec, for example, general insurance (home, automobile and business) activities are mainly governed by the *Act respecting insurance (R.S.Q., c. A-32)* and the *Automobile*

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[16] *Ibid.*

[17] The Insurance Bureau of Canada reports that "leverage ratios show that for P&C insurance companies equity capital finances over 27 percent of assets whereas for banks, capital finances less than five percent." Ibid.

[18] *The Constitution Act, 1867,* 30 & 31 Victoria, c. 3 (U.K.).

[19] **IBC**, *Facts of the general insurance industry in Canada 2009*, Insurance Bureau of Canada, Toronto, Ontario, 2009, 44 pages.

Insurance Act (Title VII) (R.S.Q., c. A-25).[20] As we will see, the Quebec authorities have chosen regulations that do not intervene in the ways and means or the practices of the industry.

The following pages present automobile insurance and home insurance in turn. Although these two types of insurance belong to the field of general insurance, we will see that automobile insurance is more regulated than home insurance. A comparison between these two regulatory models will give us a perspective on home insurance, the heart of our research.

2.2 AUTOMOBILE INSURANCE – PROVINCIAL PROGRAMS

Since provinces are responsible for regulating insurance, it is normal to find differences between each province with regard to automobile insurance.

For example, four provinces (British Columbia, Manitoba, Quebec (for bodily injury) and Saskatchewan) have opted for a mandatory public plan. In the other provinces and territories, automobile insurance is also mandatory, but the private sector administers automobile insurance.

So although most provinces and territories have a no-fault insurance plan, there are major differences in the importance accorded to this part of the plan. For instance, Quebec's plan is almost entirely no-fault – this deprives an accident victim of the right to sue the other driver. Most provinces have instead opted for hybrid plans including elements of tort liability (allowing lawsuits) as well as no-fault compensation. Saskatchewan even allows for choosing one's liability plan.

The following is a summary of the various basic plans offered by each province.

A) Alberta

In this province, mandatory basic coverage is $200,000 for bodily injury and material damage. But if a claim including both bodily injury and material damage totals an amount equal to or greater than this coverage, the bodily injury settlement takes precedence over payment of material damage and, in borderline cases, material damage is limited to $10,000.

The person responsible for the accident may be sued in tort by the insured, for bodily injury and material damage not covered by their insurance.

Private insurance companies also offer optional supplementary insurance covering an amount greater than $200,000 and covering other risks such as fire, theft, vandalism and collision insurance.

This private system is governed by the *Insurance Act*, R.S.A. 2000, c. I-3

The **Alberta Superintendent of Financial Institutions**, which reports to the Alberta Finance Department, oversees the solvency of insurance companies with a provincial charter.

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[20] *Insurance Act* (R.S.Q., c. A-32). *Automobile Insurance Act* (R.S.Q., c. A-25).

The **Alberta Insurance Council** is responsible for issuing permits and applying disciplinary measures with regard to agents, brokers and adjusters in Alberta's insurance sector. The Council also investigates complaints about the actions of insurance companies in Alberta.[21]

B) British Columbia

In British Columbia, the insurance system is public and administered by a public corporation, the Insurance Corporation of British Columbia (ICBC). This system is unique in Canada, in that risk factors taken into account to determine premiums are not related to the personality of the insured (e.g.: age, gender, marital status), but to the personal driving record, the number of driving years and the history of average loss regarding vehicles, per model and make.

Mandatory basic coverage is $200,000 for bodily injury and material damage. However, if a claim including both bodily injury and material damage totals an amount equal to or greater than that coverage, the bodily injury settlement takes precedence over that of material damage and, in borderline cases, material damage is limited to $20,000.

The person responsible for the accident may be sued in tort by the insured, for bodily injury and material damage not covered by their insurance.

Private insurance companies and the public system also offer optional supplementary insurance covering an amount greater than $200,000 and covering other risks such as fire, theft, vandalism and collision insurance.

The laws governing automobile insurance in this province are: the *Insurance (Vehicle) Act,* R.S.B.C. 1996, c. 231 and the *Insurance Act*, R.S.B.C. 1996, c. 226

Disputes regarding mandatory or "basic" automobile insurance must be handled through the ICBC.

The **Financial Institutions Commission** (FICOM) of British Columbia regulates private sector insurers. FICOM supervises the behaviour of insurers, but does not settle claim disputes. Complaints in this regard are handled by the ICBC.[22]

C) Prince Edward Island

Basic mandatory coverage is $200,000 for bodily injury and material damage. However, if a claim including both bodily injury and material damage totals an amount equal to or greater than that coverage, the bodily injury settlement takes precedence over that of material damage and, in borderline cases, material damage is limited to $10,000.

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[21] **IBC,** "Consumer Assistance: Alberta*,"* website of the Insurance Bureau of Canada, Toronto, Ontario, [online] http://www.ibc.ca/en/Consumer_Protection/Alberta.asp (page consulted on March 24, 2010).

[22] **IBC,** "Consumer Assistance: British Columbia*,"* website of the Insurance Bureau of Canada, Toronto, Ontario, [online] http://www.ibc.ca/en/Consumer_Protection/British_Columbia.asp (page consulted on March 24, 2010).

The person responsible for the accident may be sued in tort by the insured, for bodily injury and material damage not covered by their insurance.

Private insurance companies also offer optional supplementary insurance covering an amount greater than $200,000 and covering other risks such as fire, theft, vandalism and collision insurance.

The law governing this private system is the *Insurance Act*, R.S.P.E.I. 1988, c. I-4.

The **Office of the Attorney General** is responsible for supervising insurance sector regulations. The superintendent also handles consumer complaints.[23]

D) Manitoba

Manitoba has a public AUTOPAC system managed by a public corporation, the Manitoba Public Insurance Corporation (MPIC).

Basic mandatory coverage is $200,000 for bodily injury and material damage. However, if a claim including both bodily injury and material damage totals an amount equal to or greater than that coverage, the bodily injury settlement takes precedence over that of material damage and, in borderline cases, material damage is limited to $20,000.

The person responsible for the accident may be sued in tort by the insured, for bodily injury and material damage not covered by their insurance.

Private insurance companies also offer optional supplementary insurance covering an amount greater than $200,000 and covering other risks such as fire, theft, vandalism and collision insurance.

The laws governing automobile insurance in this province are: the *Insurance Act*, C.C.S.M. c. I40 and the *Manitoba Public Insurance Corporation Act*, C.C.S.M. c. P215.

Disputes about the AUTOPAC must be handled through the MPIC.

The **Manitoba Financial Institutions Regulation Branch** (FIRB) regulates private insurance companies in Manitoba. The Branch investigates complaints and disputes between consumers and insurance companies.

The **Insurance Council of Manitoba (Conseil d'assurance du Manitoba)** is responsible for issuing permits and imposing disciplinary measures on insurance agents and brokers, as well as independent adjusters.[24]

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[23] **IBC,** “Consumer Assistance: Prince Edward Island*,”* website of the Insurance Bureau of Canada, Toronto, Ontario, [online] http://www.ibc.ca/en/Consumer_Protection/PEI.asp (page consulted on March 24, 2010).
[24] **IBC,** “Consumer Assistance: Manitoba*,”* website of the Insurance Bureau of Canada, Toronto, Ontario, [online] http://www.ibc.ca/en/Consumer_Protection/Manitoba.asp (page consulted on March 24, 2010).

E) New Brunswick

Basic mandatory coverage is $200,000 for bodily injury and material damage. However, if a claim including both bodily injury and material damage totals an amount equal to or greater than that coverage, the bodily injury settlement takes precedence over that of material damage and, in borderline cases, material damage is limited to $20,000.

The person responsible for the accident may be sued in tort by the insured, for bodily injury and material damage not covered by their insurance.

Private insurance companies also offer optional supplementary insurance covering an amount greater than $200,000 and covering other risks such as fire, theft, vandalism and collision insurance.

The law governing this private system is the *Insurance Act*, RSNB 1973, c. I-12

The Office of the Superintendent of Insurance, which reports to the **Department of Justice and Consumer Affairs, Insurance Branch**, regulates all types of insurance.

The **New Brunswick Insurance Board** regulates automobile insurance rates.

New Brunswick has a **Consumer Advocate for Insurance** responsible investigating consumer complaints regarding insurance.[25]

F) Nova Scotia

Basic mandatory coverage is $500,000. This is the highest basic coverage in Canada (except for the Quebec plan).

The person responsible for the accident may be sued in tort by the insured, for bodily injury and material damage not covered by their insurance.

Private insurance companies also offer optional supplementary insurance covering an amount greater than $500,000 and covering other risks such as fire, theft, vandalism and collision insurance.

The laws governing this private system are: the *Insurance Act*, R.S.N.S. 1989, c. 231 and the *Motor Vehicle Act*, R.S.N.S. 1989, c. 293.

The **Office of the Superintendent** handles insurance complaints. Consumers may also submit their complaints to the **Consumer Advocate**.

G) Nunavut

[25] **IBC,** "Consumer Assistance: New Brunswick," website of the Insurance Bureau of Canada, Toronto, Ontario, [online] http://www.ibc.ca/en/Consumer_Protection/New_Brunswick.asp (page consulted on March 24, 2010).

Basic mandatory coverage is $200,000 for bodily injury and material damage. However, if a claim including both bodily injury and material damage totals an amount equal to or greater than that coverage, the bodily injury settlement takes precedence over that of material damage and, in borderline cases, material damage is limited to $10,000.

The person responsible for the accident may be sued in tort by the insured, for bodily injury and material damage not covered by their insurance.

Private insurance companies also offer optional supplementary insurance covering an amount greater than $200,000 and covering other risks such as fire, theft, vandalism and collision insurance.

This private system is governed by the *Insurance Act*, RSNWT (Nu.) 1988, c. I-4 and the *Motor Vehicles Act*, RSNWT (Nu.) 1988, c. M-16.

The **Northwest Territories Office of the Superintendent of Insurance** handles consumer complaints regarding insurance.

The **Treasurer** of the **Department of Justice and Consumer Affairs, Insurance Branch**, is responsible for issuing permits and regulating insurance companies, agents, brokers and adjusters.[26]

H) Ontario

Basic mandatory coverage is $200,000 for bodily injury and material damage. However, if a claim including both bodily injury and material damage totals an amount equal to or greater than that coverage, the bodily injury settlement takes precedence over that of material damage and, in borderline cases, material damage is limited to $10,000.

The person responsible for the accident may be sued in tort by the insured, for bodily injury and material damage not covered by their insurance. However, suing in tort for bodily injury is possible only in case of death or when injuries are permanent and serious, disfigure, or result in losses of physical, intellectual or psychological functions.

Private insurance companies also offer optional supplementary insurance covering an amount greater than $200,000 and covering other risks such as fire, theft, vandalism and collision insurance.

The law governing this private system is: the *Insurance Act*, R.S.O. 1990, c. I.8.

In Ontario, the **Financial Services Commission of Ontario** (FSCO) regulates the insurance industry. It also handles complaints regarding the business practices of insurance companies. The FSCO also offers dispute settlement services in disputes about compensation or bodily injury.

[26] **IBC,** "Consumer Assistance: Northwest Territories/Nunavut," website of the Insurance Bureau of Canada, Toronto, Ontario, [online] http://www.ibc.ca/en/Consumer_Protection/NWT_and_Nunavut.asp (page consulted on March 24, 2010).

I) Quebec

Quebec has a public system that is no-fault in cases of bodily injury. This system is managed by a public corporation, the Société d'assurance automobile du Québec (SAAQ). The system has no ceiling regarding compensation for bodily injury; scales of compensation are determined.

However, consumers must take out minimum coverage of $50,000 in private insurance for material damage. Private insurance companies also offer optional supplementary insurance covering an amount greater than $50,000 and covering other risks such as fire, theft, vandalism and collision insurance.

Suing in tort is prohibited regarding automobile accidents in Quebec.

The public plan and private automobile insurance are governed by the following laws: the *Act respecting the Société de l'assurance automobile du Québec*, R.S.Q. c. S-11.011; the *Automobile Insurance Act*, R.S.Q., c. A-25 and the *Act respecting insurance*, R.S.Q. c. A-32.

The **Autorité des marchés financiers** (AMF) is the regulatory body for Quebec's financial sector.

The SAAQ receives complaints regarding compensation for bodily injury. The Ombudsman also has a supervisory power in this regard.

We will examine hereinafter the AMF's role and mandate.

J) Saskatchewan

Saskatchewan is the only province where comprehensive coverage is mandatory and offered as basic by the public system. Saskatchewan Government Insurance (SGI) manages the public system.

Basic mandatory coverage is $200,000 for bodily injury and material damage. However, if a claim including both bodily injury and material damage totals an amount equal to or greater than that coverage, the bodily injury settlement takes precedence over that of material damage and, in borderline cases, material damage is limited to $10,000.

However, consumers may increase through private insurance the coverage provided by the public system.

Saskatchewan offers two major options in its basic plan: the no-fault option with more-generous coverage, and the option with tort liability, which offers less-generous coverage but whereby the insured, in case of disaster, retains the right to sue the person responsible for the accident.

The public plan and the private insurance plans are governed by the following laws: the *Saskatchewan Government Insurance Act*, 1980, S.S. 1979-80, c. S-19.1 and the *Saskatchewan Insurance Act*, R.S.S. 1978, c. S-26.

Complaints regarding the public plan are handled by the **SGI**.

The **Superintendent of Insurance**, who reports to the **Saskatchewan Financial Services Commission**, investigates consumer complaints regarding private insurance services. The Superintendent also hears appeals of permit decisions and of disciplinary measures imposed on agents and adjusters.

The province's **Ombudsman's Office** also handles insurance complaints[27].

K) Newfoundland and Labrador

Basic mandatory coverage is $200,000 for bodily injury and material damage. However, if a claim including both bodily injury and material damage totals an amount equal to or greater than that coverage, the bodily injury settlement takes precedence over that of material damage and, in borderline cases, material damage is limited to $10,000.

The person responsible for the accident may be sued in tort by the insured, for bodily injury and material damage not covered by their insurance.

Private insurance companies also offer optional supplementary insurance covering an amount greater than $200,000 and covering other risks such as fire, theft, vandalism and collision insurance.

The laws governing this private system are: the *Automobile Insurance Act*, R.S.N.L. 1990, c. A-22, the *Insurance Contracts Act*, R.S.N.L. 1990, c. I-12 and the *Insurance Companies Act*, R.S.N.L. 1990, c. I-10.

All insurance matters in this province are managed by the **Superintendent of Insurance** of the **Department of Government Services, Consumer and Commercial Affairs Branch, Financial Services Regulation Division**[28].

L) Northwest Territories

Basic mandatory coverage is $200,000 for bodily injury and material damage. However, if a claim including both bodily injury and material damage totals an amount equal to or greater than that coverage, the bodily injury settlement takes precedence over that of material damage and, in borderline cases, material damage is limited to $10,000.

The person responsible for the accident may be sued in tort by the insured, for bodily injury and material damage not covered by their insurance.

Private insurance companies also offer optional supplementary insurance covering an amount greater than $200,000 and covering other risks such as fire, theft, vandalism and collision insurance.

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[27] **IBC,** "Consumer Assistance: Saskatchewan," website of the Insurance Bureau of Canada, Toronto, Ontario, [online] http://www.ibc.ca/en/Consumer_Protection/Saskatchewan.asp (page consulted on March 24, 2010).
[28] Website of the Insurance Bureau of Canada, consulted on June 24, 2010; http://www.ibc.ca/en/Consumer_Protection/Newfoundland.asp

The laws governing this private system are: the *Motor Vehicles Act*, RSNWT 1988, c. M-16 and the *Insurance Act*, RSNWT 1988, c. I-4.

The Northwest Territories Office of the Superintendent of Insurance handles consumer complaints regarding insurance[29].

The Treasurer of the **Northwest Territories Department of Justice and Consumer Affairs, Insurance Branch**, is responsible for issuing permits and regulating insurance companies, agents, brokers and adjusters.

M) Yukon

Basic mandatory coverage is $200,000 for bodily injury and material damage. However, if a claim including both bodily injury and material damage totals an amount equal to or greater than that coverage, the bodily injury settlement takes precedence over that of material damage and, in borderline cases, material damage is limited to $10,000.

The person responsible for the accident may be sued in tort by the insured, for bodily injury and material damage not covered by their insurance.

Private insurance companies also offer optional supplementary insurance covering an amount greater than $200,000 and covering other risks such as fire, theft, vandalism and collision insurance.

The laws governing this private system are: the *Insurance Act*, RSY 2002, c. 119 and the *Motor Vehicles Act*, RSY 2002, c. 153.

The **Superintendent of Insurance** of the **Department of Community Services, Consumer Services** is responsible for issuing permits and regulating insurance companies, agents, brokers and adjusters[30].

[29] **IBC,** "Consumer Assistance: Newfoundland and Labrador," website of the Insurance Bureau of Canada, Toronto, Ontario, [online] http://www.ibc.ca/en/Consumer_Protection/Newfoundland.asp (page consulted on March 24, 2010).
[30] **IBC,** "Consumer Assistance: Yukon*,"* website of the Insurance Bureau of Canada, Toronto, Ontario, [online] http://www.ibc.ca/en/Consumer_Protection/Yukon.asp (page consulted on March 24, 2010).

TABLE 2
Automobile Insurance – Provincial Programs

Provinces/Territories	Mandatory Insurance: Bodily Injury	Mandatory Insurance: Material Damage	Mandatory Insurance: Types of Systems – Public	Mandatory Insurance: Types of Systems – Private	Mandatory Insurance: Right to Sue	Optional Insurance (Vehicle Theft or Damage): Types of Systems – Public	Optional Insurance (Vehicle Theft or Damage): Types of Systems – Private	Framework Laws	Regulatory Authorities
British Columbia	Mandatory minimum coverage of $200,000 for each accident; However, if a claim including both bodily injury and material damage equals that amount, the material damage settlement is limited to $20,000.		√		√		√	*Insurance (Vehicle) Act*, R.S.B.C 1996, c. 231 *Insurance Act*, R.S.B.C. 1996, c. 226	Insurance Corporation of British Columbia Commission des services financiers
Saskatchewan	Comprehensive insurance is mandatory is minimum coverage of $200,000 for each accident; However, if a claim including both bodily injury and material damage equals that amount, the material damage settlement is limited to $10,000. Two available plans: 1) no-fault coverage in case of bodily injury and 2) the option with tort liability.		√		√[1]		√	*Saskatchewan Government Insurance Act*, 1980, S.S. 1979-80, c. S-19.1 *Saskatchewan Insurance Act*, R.S.S. 1978, c. S-26	Saskatchewan Financial Services Commission (SFSC) Insurance Councils of Saskatchewan Saskatchewan Government Insurance
Manitoba	Mandatory minimum coverage of $200,000 for each accident; However, if a claim including both bodily injury and material damage equals that amount, the material damage settlement is limited to $20,000.		√		x	√	√	*The Insurance Act, CCSM c I40* *The Manitoba Public Insurance Corporation Act, C.C.S.M. c. P215*	Manitoba Public Insurance Corporation Financial Institutions Regulation Branch
Quebec	Public La Société d'assurance automobile du Québec (SAAQ) No limit Private Minimum coverage of $50,000 is mandatory for each accident.		√	√	x		√	*An Act respecting the Société de l'assurance automobile du Québec* , R.S.Q. c. S-11.011 *Automobile Insurance Act*, R.S.Q. c. A-25 *An Act respecting insurance* , R.S.Q. c. A-32	Autorité des marchés financiers Direction de l'encadrement de l'assistance aux consommateurs Société de l'assurance automobile du Québec The Québec Ombudsman

Provinces/Territories	Mandatory Insurance					Optional Insurance (Vehicle Theft or Damage)		Framework Laws	Regulatory Authorities
	Bodily Injury	Material Damage	Types of Systems		Right to Sue	Types of Systems			
			Public	Private		Public	Private		
Alberta	Mandatory minimum coverage of $200,000 for each accident; However, if a claim including both bodily injury and material damage equals that amount, the material damage settlement is limited to $10,000.			√	√		√	*Insurance Act*, R.S.A. 2000, c. I-3	Bureau du surintendant des institutions financières de l'Alberta, Conseil d'assurances de l'Alberta
Ontario	Mandatory minimum coverage of $200,000 for each accident; However, if a claim including both bodily injury and material damage equals that amount, the material damage settlement is limited to $10,000.			√	√[1]		√	*Loi sur les Assurances*, L.R.O. 1990, c. I.8	Commission des services financiers de l'Ontario Bureau de l'ombudsman des assurances
Prince Edward Island	Mandatory minimum coverage of $200,000 for each accident; However, if a claim including both bodily injury and material damage equals that amount, the material damage settlement is limited to $10,000.			√	√[2]		√	*Insurance Act*, R.S.P.E.I. 1988, c. I-4	Surintendant des assurances (Office of the Attorney General)
Nova Scotia	Mandatory minimum coverage of $500,000 for each accident.			√	√[3]		√	*Insurance Act*, R.S.N.S. 1989, c. 231 *Motor Vehicle Act*, R.S.N.S. 1989, c. 293	Bureau du surintendant (Department of Service NS and Municipal Relations, Financial Institutions Division) Le défenseur du consommateur Nova Scotia Insurance Review Board
New Brunswick	Mandatory minimum coverage of $200,000 for each accident; However, if a claim including both bodily injury and material damage equals that amount, the material damage settlement is limited to $20,000.			√	√[4]		√	*Loi sur les assurances*, L.R.N.-B. 1973, c. I-12	Le défenseur du consommateur Ministère Justice et Consommation, Direction des assurances Commission des assurances du Nouveau-Brunswick

[1] Des conditions s'appliquent.

[2] Des conditions s'appliquent.

[4] Limite de 2500$ pour blessures mineures.

Provinces/Territories	Mandatory Insurance					Optional Insurance (Vehicle Theft or Damage)		Framework Laws / Regulatory Authorities
	Bodily Injury	Material Damage	Types of Systems: Public	Types of Systems: Private	Right to Sue	Types of Systems: Public	Types of Systems: Private	
Newfoundland and Labrador	Mandatory minimum coverage of $200,000 for each accident; However, if a claim including both bodily injury and material damage equals that amount, the material damage settlement is limited to $10,000.			√	√[1]		√	*Automobile Insurance Act*, R.S.N.L. 1990, c. A-22 *Insurance Contracts Act*, R.S.N.L. 1990, c. I-12 *Insurance Companies Act*, R.S.N.L. 1990, c. I-10 — Department of Government Services, Consumer and Commercial Affairs Branch, Financial Services Regulation Division
Nunavut	Mandatory minimum coverage of $200,000 for each accident; However, if a claim including both bodily injury and material damage equals that amount, the material damage settlement is limited to $10,000.			√	√		√	*Loi sur les assurances*, L.R.T.N.-O. (Nu.) 1988, c. I-4 *Loi sur véhicules automobiles*, L.R.T.N.-O. (Nu.) 1988, c. M-16 — Bureau du surintendant des assurances (ministère des Finances)
Northwest Territories	Mandatory minimum coverage of $200,000 for each accident; However, if a claim including both bodily injury and material damage equals that amount, the material damage settlement is limited to $10,000.			√	√		√	*Loi sur les véhicules automobiles*, L.R.T.N.-O. 1988, c. M-16 *Loi sur les assurances*, L.R.T.N.-O. 1988, c. I-4 — Ministère des Finances, le trésorier Bureau du surintendant des assurances
Yukon	Mandatory minimum coverage of $200,000 for each accident; However, if a claim including both bodily injury and material damage equals that amount, the material damage settlement is limited to $10,000.			√	√		√	Loi sur les assurances, L.R.Y. 2002, c. 119 Loi sur les véhicules automobiles, L.R.Y. 2002, c. 153 — Department of Community Services, Consumer Services

[1] Indemnisation assujettie à une franchise de 2500$.

2.3 CLASSIFICATION OF DRIVERS DEEMED MORE AT RISK IN CANADA AND DISCRIMINATION

Insurers use risk assessment to set the premiums of people who want or have to be insured, or to whom insurers will refuse insurance to avoid such risk. The risk factors taken into account by insurers are essentially the same throughout the industry; many of those risks are related to the personality of the insured individual (or of the individual who wants to be insured).

A comparative analysis of the various provincial auto insurance systems led us to question the apparently discriminatory nature of certain "recognized practices" in the field of insurance. Indeed, risk assessment in automobile insurance is partially based on the policy holder's family status, marital status, age and gender – all of which are forbidden as bases of discrimination.

We observed that in British Columbia, where automobile insurance is government-run, the risk factors taken into account are not based on age, gender, family status or marital status, but rather on variables related to driving history, such as personal driving record, number of driving years, and average vehicle loss history by model and make. The insurance industry claims that this procedure has led to a rupture between insurance rates and compensations. We will study here the legal situation in this regard, in an attempt to see whether certain practices should be reconsidered.

A) Criteria Based on Personal Characteristics

Although the legal frameworks of each Canadian province and territory provide consumers, in matters of insurance, with protections against misleading, dishonest or unfair practices, those protections are often quite vague and even minimalist.

Thus, in Quebec, section 93.159.2 of the *Insurance Act* states:

> 93.159.2. A federation must adhere to sound commercial practices. These practices include properly informing persons being offered a product or service and acting fairly in dealings with them.[31]

Accordingly, in Quebec, insurance companies are obliged to act fairly. It would be logical to deduce that this duty to act fairly implies the duty to act in a non-discriminatory manner.

Other provinces have instead prohibited unfair practices. For example, section 438 of Ontario's Insurance Act reads as follows:

> 439. No person shall engage in any unfair or deceptive act or practice.[32]

With respect to these clauses, we have found no documented example where the Autorité des marchés financiers du Québec, the Financial Services Commission of Ontario or their counterparts in the other provinces or territories heard a complaint about a discriminatory

[31] *Insurance Act*, R.S.Q. c. A-32, sec.93.159.2.
[32] *Insurance Act*, R.S.O. 1990, chap. I.8, sec. 438.

practice based on these protections. However, the *Commission des droits de la personne et des droits de la jeunesse* and its counterparts in the other provinces hear such complaints.

In the 1992 case of Zurich Insurance Co. v. Ontario (Human Rights Commission),[33] the Supreme Court of Canada examined such discriminatory rate practices, in the light of Ontario's *Human Rights Code* (R.S.O. 1990, chap. H.19).

ZURICH INSURANCE CO. V*.* ONTARIO (HUMAN RIGHTS COMMISSION)

In this case (hereinafter the *Zurich* case), the plaintiff alleged that the insurer used prohibited discriminatory practices by setting automobile insurance rates higher for young unmarried male drivers than for young unmarried female drivers, young married male drivers and drivers over 25 years of age. The plaintiff also alleged a violation of his right to enter into contracts under equal terms, without discrimination, and of his right to equal treatment in services – rights provided in the *Human Rights Code*.

The Court unanimously ruled that the criteria used to set premiums were *prima facie* discriminatory. It remained to be determined whether said discrimination was reasonable under section 21 of Ontario's *Human Rights Code*.

The Court, comprised of a 7-judge bench, ruled in the majority (with 2 dissenting judges) that a practice was in good faith if it was adopted honestly, based on sound and accepted business practices, and not in order to infringe on the rights protected by the *Code*. To the Court, there was no doubt that Zurich had acted in good faith when it had set its insurance premiums.

The ruling applied the test of "reasonable and *bona fide* grounds" to the facts of the case. The Court found that a discriminatory practice was "reasonable" in insurance matters if:

1) it was based on a sound and accepted insurance practice;
2) there was no practical alternative.

Regarding the first part of this test, a sound and accepted insurance practice was defined as a practice adopted "for the purpose of achieving the legitimate business objective of charging premiums that are commensurate with risk."

The judges ruled in the majority that the company's decision when setting premiums was based on the credible actuarial proof at its disposal. From the statistical correlation between age, gender and marital status on one hand, and claims on the other, it followed that young male drivers have more accidents than other drivers.

The Court then considered whether another solution could have been adopted in setting premiums. It ruled that in 1983, Zurich had no choice but to set premiums according to age, gender and marital status. The Court considered that it would not be reasonable to require Zurich to set premiums case-by-case rather than rely on valid, though discriminatory, criteria based on statistics.

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[33] *Zurich Insurance Co. v. Ontario (Human rights Commission)* [1992] 2 R.C.S. 321.

However, the Court clearly indicated that the insurance industry should not continue indefinitely to rely on discriminatory criteria in setting its rates. The Court also declared that the industry "must strive to avoid setting premiums based on enumerated grounds."

The dissident judges, for their part, considered that the Court should have ruled in favour of the plaintiff. They presented several arguments in line with a broad and liberal interpretation in favour of the plaintiff:

1. The responding parties should not be granted the right to justify discriminatory practices by invoking tradition. Fifty years of discriminatory rates are no excuse.
2. A statistical correlation does not suffice to justify a practice's discriminatory nature. There must be a causal correlation.
3. There was a reasonable alternative: the premiums of drivers over 25 years of age were calculated according to the distance travelled and accident records. Why not use these criteria for drivers less than 25 years of age?
4. An absence of statistics on another type of scale does not mean that no alternative exists.

B) Ontario and Quebec Contexts

The insurer's defence was based, among other things, on section 22 of Ontario's *Human Rights Code*, which reads as follows:

> **22.** The right under sections 1 and 3 to equal treatment with respect to services and to contract on equal terms, without discrimination because of age, sex, marital status, family status or disability, is not infringed where a contract of automobile, life, accident or sickness or disability insurance or a contract of group insurance between an insurer and an association or person other than an employer, or a life annuity, differentiates or makes a distinction, exclusion or preference on reasonable and *bona fide* grounds because of age, sex, marital status, family status or disability.[34]

Although the Quebec Charter does not grant the insurer this "good faith" defence, its section 20.1 allows the use of the same discriminatory criteria as those examined in the *Zurich* ruling. Thus, in Quebec, section 20.1 of the *Charter of Human Rights and Freedoms* reads as follows:

> 20.1. In an insurance or pension contract, a social benefits plan, a retirement, pension or insurance plan, or a public pension or public insurance plan, a distinction, exclusion or preference based on age, sex or civil status is deemed non-discriminatory where the use thereof is warranted and the basis therefor is a risk determination factor <u>based on actuarial data</u>. (*Our emphasis*)
>
> In such contracts or plans, the use of health as a risk determination factor does not constitute discrimination within the meaning of section 10.[35]

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[34] *Human Rights Code*, R.S.O. 1990, chap. H.19, sec. 22.
[35] *Charter of Human rights and Freedoms*, R.S.Q., chapter C-12, sec. 20.1.

In reading this section, we can legitimately ask whether the dissident judges' reasoning is relevant to our analysis. Indeed, in a context where the defence is based on good faith, the dissident judges found that a statistical correlation could not suffice to justify a practice's discriminatory nature; the only justification that should be admitted in their view would have been a causal correlation. The Quebec text appears to dismiss this reasoning by specifically indicating that statistical (actuarial) data suffice to dismiss the discriminatory nature of those practices.

It should be noted that following the *Zurich* ruling, the Quebec courts[36] applied this ruling without mentioning the difference between the Ontario and Quebec legal texts.

C) Actuarial Basis

Statistics and actuarial science are not exact sciences, as their most ardent defenders will readily admit. The dissident judges in the *Zurich* case opined that a statistical correlation did not suffice to legally justify the discriminatory nature of a practice. In their view, sound statistical proof was necessary. And yet, actuaries establish statistical correlations that will serve as a basis for establishing risk factors. Actuaries will draw insurers' attention to correlations between particular groups on the basis of common characteristics and the history of losses associated with those groups. Those groups are often specified on the basis of personal characteristics such as age, gender and marital status.

As pointed out by Professor Marvin Baer of Queen's University regarding "those factors associated with the individual insured's personality which the underwriter decides would or might affect the risk:" they "may be hard to distinguish from attitudes which are prevalent in society based on stereotype or prejudice." He also notes that few Canadian courts have asked whether "the underwriting criteria are unreasonable because they are inconsistent with modern notions of human rights." This is certainly an avenue worth exploring.[37]

D) Alternative Solutions

In the *Zurich* case, the Supreme Court indicated that the insurance industry should not continue indefinitely to rely on discriminatory criteria to determine its rates. The Court also declared that the insurance industry "must strive to avoid setting premiums based on enumerated grounds."

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[36] See also: *United Brotherhood of Carpenters and Joiners of America, Local 2182 (Industrial Mechanics) v. Lévesque*, (C.S., 1993-03-30), D.T.E. 93T-721, p. 7; *Human Rights Commission v. Aylmer (City of)*, (T.D.P.Q., 1994-03-21), J.E. 94-718; *Human Rights Commission v. Dion*, (T.D.P.Q., 1994-12-19), J.E. 95-286; *Human Rights Commission v. Unifund Insurance Co. (Newfoundland)*, (T.D.P.Q., 1993-11-09), [1994] R.J.Q. 585, p. 29; *Commission des droits de la personne et des droits de la jeunesse v. Fondation Abbé Charles-Émile Gadbois*, (T.D.P.Q., 2001-08-27), REJB 2001-25722, paragr. 58; *Commission des droits de la personne et des droits de la jeunesse v. 2314-4207 Québec Inc. (Resto-bar Le Surf)*, (T.D.P.Q.), J.E. 2007-723, paragr. 30).

[37] **BAER,** Marvin, *Study paper on the legal aspects of long-term disability insurance: a study paper prepared for the Ontario Law Reform Commission*, ed. Ontario Law Reform, Toronto, Ontario, 1996, 99 pages.

To manage its public auto insurance system, British Columbia has chosen other criteria, unrelated to personality, to set its rates and compensation amounts. It sets its premiums according to the driving record, and more specifically to:

- the number of years since the driver's licence was obtained;
- vehicle use (e.g., for personal or business use);
- the number of years without a claim for compensation;
- driving lessons taken by the main driver;
- the number of compensation claims in the past 6 years;
- the number of drivers.

The Insurance Bureau of Canada (IBC) and the Association of Canadian Insurers (ACI) have opposed the exclusive use of those criteria. In their view, in conjunction with the current criteria, those criteria based on the driving record do improve risk assessment; but they cannot constitute perfect criteria replacing age and gender, which better determine the risk of accident.[38]

Moreover, according to the IBC and the ACI, eliminating the criteria of age and gender would disrupt current pricing and lead to considerable "dislocation;" in fact, it would lead to "subsidizing younger male drivers at the expense of higher costs to older female drivers, for example, below the actual risk assumed." In their view, this practice would be fundamentally unfair and would violate the guidelines given by the courts in *Zurich* to "reflect the disparate risks of different classes of drivers."[39]

It should also be noted that these criteria used by British Columbia are also used by other jurisdictions: Massachusetts, for instance, also uses these criteria to the exclusion of discriminatory ones.

2.4 THE AMF AND THE REGULATION OF AUTOMOBILE INSURANCE IN QUEBEC

The **Autorité des marchés financiers** (AMF) is the financial sector's regulatory body in Quebec. The Authority oversees the application of regulations and supervises the financial markets.

The AMF has no other power over auto insurance pricing than to "assess the soundness of the system and suggest improvements."[40]

Auto insurers are free to use the risk classification criteria and corresponding pricing (the value of premiums by risk category) that they deem adequate. These aspects are not regulated, so insurers can impose the premiums they want, according to the criteria of their choice. Similarly,

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[38] **ONTARIO HUMAN RIGHTS COMMISSION**, *CONSULTATION REPORT: Human Rights Issues in Insurance,* Ontario Human Rights Commission, Toronto, Ontario, October 9, 2001.
[39] *Zurich Insurance Co. v. Ontario*, op. cit. note 33.
[40] **AUTORITÉ DES MARCHÉS FINANCIERS,** "Environnement légal," page of the AMF website, Québec City, Quebec, no date, [online] http://www.lautorite.qc.ca/clientele/intervenant-secteur-financier/assureurs/assurance-auto/legal.fr.html (consulted on December 12, 2009). Our translation.

they are free to refuse to grant an insurance contract to certain customers according to the criteria of their choice.

This freedom of action enjoyed by insurers in pricing matters is peculiar to Quebec.[41] In other North American jurisdictions, it is common for legislators or the regulatory body to prohibit certain criteria, prescribe others or require the regulatory body's approval before any change to rate schedules can take effect.[42] For example, it is prohibited in Ontario and Alberta to take credit ratings into account in setting auto insurance premiums, while New Brunswick has recently been prohibiting this for any type of insurance.[43] In Ontario, insurers are also prohibited from taking into account the employment occupation, circumstances or history, or the debt level, in the decision to issue or not an auto insurance policy, or in the risk calculation system used for setting rates.[44]

In Quebec, the *Automobile Insurance Act* requires insurers' rate manuals to be submitted to the AMF, which makes them available to the public.[45] Insurers must notify the AMF of changes they make to their rate manual, but the AMF does not have to approve the changes for them to take effect, although under section 181 of the Act, "Every authorized insurer must furnish such proof to the Autorité des marchés financiers as it may demand regarding any matter or matters in his rate manual."

Although the AMF makes the manuals available to the public, their public nature remains relative. To consult them, one must make an appointment with the AMF's Direction du contrôle du droit d'exercice and be able to show up at the AMF's Québec City offices within narrow time slots. Portable computers are accepted but no copying or digitizing device is available or admitted on the premises. In addition, a single rate manual may fill an entire filing cabinet drawer, and only an actuary would be readily able to understand the manuals.[46] In fact, insurers frequently consult their competitors' manuals (118 consultations of 23 different manuals in 2008). The sections most frequently consulted in 2008 pertained to the various applicable discounts and surcharges, and to the use of financial stability scores (credit scores). In short, the manuals' availability serves to "promote competition;"[47] their use to the average consumer remains to be determined.

The *Automobile Insurance Act* requires the AMF to produce each year a *Rapport sur la tarification en assurance automobile* based on data and information that insurers must provide it and that the Act obliges it, in section 182, to analyse. In that report on market developments, the volume of premiums, losses, and changes to rate manuals, the AMF makes its "assessment of the soundness" of industry practices. Since at least 1997, the regulatory body responsible (the Inspecteur général des institutions financières until 2003-2004, and the AMF afterward) has

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41 Telephone conversation with Benoit Vaillancourt of the AMF's Direction des normes et vigie, November 24, 2009. Telephone conversation with Bernard Marchand of the Insurance Bureau of Canada, December 22, 2009.
42 See for example: REGULATION *664, AUTOMOBILE INSURANCE,* R.R.O. 1990.
43 **CBC NEWS**, "Credit scores can hike home insurance rates," Canadian Broadcasting Corporation, April 8, 2010, http://www.cbc.ca/consumer/story/2010/04/08/consumer-insurance-credit-score.html
44 REGULATION *664 AUTOMOBILE INSURANCE* R.R.O. 1990.
45 *Automobile Insurance Act*, R.S.Q., chapter A-25, section 183.
46 Telephone conversation with Benoit Vaillancourt of the AMF's Direction des normes et vigie, November 24, 2009. Telephone conversation with Bernard Marchand of the Insurance Bureau of Canada, December 22, 2009.
47 **AMF,** Op. cit., note 40.

always deemed the pricing of auto insurers "adequate" [48] and has thus declined to formulate any recommendation. We will discuss this report below.

The data and information on insurers' experience of losses and on their classification and pricing practices – the basis for the AMF report – are collected according to the Automobile Statistical Plan. The Groupement des assureurs automobiles (GAA) – founded in 1978 by the government and of which all auto insurers must be members in order to practice – administers the Statistical Plan under a mandate conferred by the AMF.

The annual report and the data of the Automobile Statistical Plan are public documents. But obtaining them is not easy. They are available at the GAA for $40 or in consultation only at the national archives.[49] These data are available by risk category (type of vehicle and model year), gender, age, location (available only by region), type of use, driving experience and type of accident, type of loss, and warranty.[50]

2.5 REGULATORY FRAMEWORK OF HOME INSURANCE

In contrast, the practice and business of home insurance are not encumbered by such formalities. We communicated with the regulatory authorities[51] in charge of administering the Insurance Act in the various provinces, and with the insurance Ombudsman in New Brunswick, Mr. Ronald Godin, to learn more about the nature of the regulatory framework for the home insurance industry in the Canadian provinces. The goal of these communications was to know whether provincial legislations regulated the underwriting and pricing practices of insurers in the same way as automobile insurance is regulated outside Quebec (prohibition of certain criteria, requirement to obtain the regulatory body's approval of changes to rate schedules, etc.).

No province explicitly disallows by law certain underwriting or pricing criteria from being taken into account, or requires insurers to obtain the regulatory body's approval before rate changes can take effect. Essentially, in all provinces, not only are insurers free to use the risk

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[48] **INSPECTEUR GÉNÉRAL DES INSTITUTIONS FINANCIÈRES**, *Rapport sur la tarification en assurance automobile 1997*, Service de l'actuariat de la Direction des assurances IARD, Inspecteur général des institutions financières, Québec City, Canada, 1998, 28 pages.
AMF, *Rapport annuel 2008. La tarification en assurance automobile*, Direction des normes et vigie de l'Autorité des marchés financiers, Québec City, Canada, 2009, 76 pages.
[49] At the time of this writing, no copy later than the year 1999 was available for public consultation. Bibliothèques et archives nationales du Québec states that it does not have the required software for making such copies available to the public.
[50] **GROUPEMENT DES ASSUREURS AUTOMOBILES (GAA)**, "Description des types de formulaires de recherche – PlanetPress Search," *Automobile Statistical Plan of Québec*, December 31, 2008, Québec City, Canada.
[51] The provincial regulatory authorities responsible for the application of insurance laws are: Alberta Superintendent of Insurance, reporting to the Ministry of Finance and Enterprise; Insurance Department of the Financial Institutions Commission of British Columbia; Saskatchewan Financial Services Commission; Superintendent of Insurance of Manitoba, reporting to the Financial Institutions Regulations Branch; Financial Services Commission of Ontario; Autorité des Marchés Financiers du Québec; Insurance Branch of the New Brunswick Justice and Consumer Affairs Department; Superintendent of Insurance of the Nova Scotia Department of Finance; Newfoundland and Labrador Superintendent of Insurance; Prince Edward Island Superintendent of Insurance; Northwest Territories/Nunavut Superintendent of Insurance; Yukon Superintendent of Insurance.

classification system and criteria of their choice, with the rates they deem appropriate, but they do not have to provide their rate manual to the regulatory body. The only data they have to provide merely serve, on the whole, to supervise financial stability.

Still, two specific cases deserve mention. The government of New Brunswick, which has recently prohibited financial stability scores (and other criteria related to the insured's financial situation) as an underwriting or pricing criterion in automobile insurance, has announced its intention to extend this prohibition to home insurance.[52] Before making its decision official, the government consulted the insurers in spring 2010 to learn their position on the subject. But in view of this decision, the government has already given itself the power to prohibit by order in council certain underwriting and pricing practices by insurers.

The second case is Alberta. Alberta's *Insurance Act* states (section 509 (1) (c)) that "No insurer, insurance agent or adjuster may engage in any unfair, coercive or deceptive act or practice."[53] The Act does not specify what is understood by such practices but leaves to the Alberta Insurance Superintendent the power to interpret and define what constitutes such practices.[54] This interpretation is announced in Bulletins that then have the effect of prohibiting certain practices right away.[55] The Insurance Superintendent representative to whom we spoke pointed out that there were very few limitations to the underwriting or pricing practices of insurers, but that insurers were strongly recommended to contact the Superintendent offices in order to verify beforehand whether any new practice is acceptable.

So generally, home insurance remains a minimally regulated market. Only Alberta's regulatory body and the government of New Brunswick are even legally equipped to intervene in the underwriting and pricing of insurers.

In Quebec, the required data are consigned annually in the *Rapport sur les assurances* produced by the AMF, which draws a portrait of general insurance and personal insurance. General insurance data are presented there under various categories, the main ones being: automobile, personal property (home insurance categories, including civil liability), business (business insurance) and liability. This report presents data on the performance of the industry and its various sub-sectors. Although it includes, for example, the volume of premiums underwritten and the losses by insurer and field of activity, the number of policies underwritten cannot be known thereby. Therefore, no follow-up is done of the development of premiums and rates. However, the report presents data on the "income statement and the combined comprehensive income statement," such as assets, liabilities, equity and reserves, technical results, investment income and profits.

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[52] **CANADIAN UNDERWRITER**, "New Brunswick releases discussion paper on credit scoring, suggests wiggle room in proposed ban on residential property lines," *DAILY NEWS*, Canadian Underwriter, Toronto, Ontario, May 6, 2010, [online] http://www.canadianunderwriter.ca/issues/story.aspx?aid=1000370409 (page consulted on May 15, 2010).
[53] *Insurance Act*, R.S.A. 2000, c. I-3, section 509 (1) (c).
[54] *Insurance Act,* R.S.A. 2000, c. I-3. section 792.1.
[55] **ALBERTA SUPERINTENDENT OF INSURANCE**, "Superintendent of Insurance Bulletins and Notices - Insurance Bulletins, Notices and Enforcement Activities," Ministry of Finance and Enterprise, Government of Alberta, Edmonton, Alberta, [online] http://www.finance.alberta.ca/publications/insurance/bulletins.html (page consulted on May 17, 2010).

2.6 INSURANCE ACCESS MECHANISMS IN CANADA

Automobile insurance is mandatory in all provinces. In Saskatchewan, British Columbia and Manitoba, automobile insurance is provided in whole or in part by public corporations.[56] In these three provinces, the minimum coverage required by law is thus provided universally by the public insurer.[57]

In all the other provinces, automobile insurance is provided in whole or in part by private insurers (Quebec being the exception, with the SAAQ's no-fault insurance plan). But those plans provide a mechanism of last recourse for the "residual market" (as opposed to the "voluntary market" of clienteles readily admitted by insurers), so that all drivers have access to insurance.[58]

Alberta, Prince Edward Island, New Brunswick, Nova Scotia, Ontario, Newfoundland and Labrador, as well as the three territories (Yukon, Northwest Territories, Nunavut) have acquired common mechanisms. The drivers of those provinces who do not succeed in obtaining automobile insurance through regular channels may contact the "Facility Association" (FA), a non-profit group of insurance companies in those provinces and territories,[59] which will provide them with the required coverage. Drivers who turn to that group will face higher premiums than those found on the "voluntary market," because they are considered high-risk and the insurance fund is funded only by the contributions of those insured by the FA.[60] The FA itself does not administer the insurance, but assigns that responsibility to one of its members, which applies the rules, rates and classifications defined by the FA. Losses and profits are then distributed to all member companies.

Ontario, Alberta, New Brunswick and Nova Scotia insurers have also established FA-administered risk-sharing pools for personal vehicles.[61] The insurers themselves underwrite customers, whom they may then transfer to the shared fund, with losses and profits then distributed prorata the business volume.

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[56] **IBC,** "Car insurance where you live: Manitoba*,"* IBC website, Toronto, Ontario, [online] http://www.ibc.ca/en/Car_Insurance/MB/index.asp (page consulted on May 12, 2010).

[57] **INSURANCE CORPORATION OF BRITISH COLUMBIA**, website of the Insurance Corporation of British Columbia, North Vancouver, British Columbia [online] http://www.icbc.com/about-ICBC (page consulted on May 12, 2010).
MANITOBA PUBLIC INSURANCE, "ABOUT US," website of Manitoba Public Insurance, Winnipeg, Manitoba, [online] http://www.mpi.mb.ca/english/about_us/about.html (page consulted on May 12, 2010)
SASKATCHEWAN GENERAL INSURANCE, SGI website, Regina, Saskatchewan, [online] http://www.sgi.sk.ca/ (page consulted on May 12, 2010).

[58] **INSURANCE INFORMATION INSTITUTE**, "Residual Markets," The Topic, Insurance Information Institute, New York, United States, June 2010, [online] http://www.iii.org/media/hottopics/insurance/residual/ (page consulted on April 12, , 2010).

[59] **FACILITY ASSOCIATION**, Facility Association website, Toronto, Ontario, [online] http://www.facilityassociation.com/ (page consulted on April 12, 2010).
IBC, "Facility Association*,"* website of the Insurance Bureau of Canada, Toronto, Ontario, [online] http://www.ibc.ca/en/Car_Insurance/Introduction/Facility_Association.asp (page consulted on April 12, 2010).

[60] **Facility Association**, "Facility Association Consumer Brochure," website of the Facility Association, Toronto, Ontario, [online] http://www.facilityassociation.com/brochures.asp (page consulted on April 12, 2010).

[61] **Facility Association,** op. cit. note 59.

In Quebec, the *Automobile Insurance Act* obliges all drivers to be covered by civil liability insurance for at least $50,000. It also requires the Groupement des assureurs automobiles (GAA) to establish “a mechanism designed to enable every automobile owner to find an authorized insurer with whom he may take out liability insurance [minimum under the law].”[62]

Accordingly, the GAA has set up a mechanism of access to automobile insurance. A driver who cannot find an insurer after contacting at least five of them may approach the GAA’s Centre d'information sur les assurances, which will then help him find an insurer. To that end, the GAA may compel an insurer to accept a risk:

> *“En 2008, les agents du Centre d’information sur les assurances ont reçu 3 606 appels liés à l’accès à une assurance automobile. À la suite des conseils qui leur sont donnés, la grande majorité des consommateurs, soit 2 498, ont trouvé eux-mêmes une assurance automobile. Le Groupement est toutefois venu en aide à 1108 d’entre eux au cours de l’année. Parmi ces cas, 720 personnes ont eu accès à l’assurance minimale de 50 000 $ en responsabilité civile prescrite par la Loi alors que les 388 autres ont pu bénéficier d’une couverture d’assurance plus complète grâce au mécanisme renforcé d’accès mis en place par le GAA en 2002.”*[63]

The industry indeed acquired in 2002 a reinforced mechanism of automobile insurance access to facilitate access to auto insurance with broader guaranties than the minimum mandatory coverage of $50,000 imposed by the Act.[64]

To “facilitate and guarantee automobile insurance access,”[65] the GAA also established in 1984 an Assigned Risk Plan (Plan de répartition des risques – PRR). Insurers can thereby transfer up to 10% of their volume of premiums to a common pool. Profits and losses are then distributed among insurers prorata the risks assumed by each insurer. This enables an insurer to reduce the risk he must assume. Since 2005, the volume of premiums transferred to the PRR has risen from $100 million to $108 million.[66]

A) Home Insurance Access Mechanism

In home insurance, there is apparently no government program to facilitate home insurance access. Our Web searches, contacts with representatives of provincial regulatory bodies (AMF, Financial Services Commission of Ontario, British Columbia Department of Insurance), and contacts with regional IBC offices (Quebec, Ontario, Atlantic Provinces) did not reveal the existence of mechanisms to facilitate home insurance access, except for the one in Quebec, about which there is very little information. Faced with the possibility that a consumer unable to find coverage through the usual channels would request assistance, representatives of the IBC

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[62] *Automobile Insurance Act*, (R.S.Q., c. A-25) sections 84, 87 and 170.
[63] **GROUPEMENT DES ASSUREURS AUTOMOBILES (GAA)**, Rapport annuel 2008, Groupement des assureurs automobiles, Montreal, Quebec, 2009, 22 pages.
[64] **IBC,** op. cit., note 14, p. 8.
[65] **GAA**, *Rapport annuel 200*9, Groupement des assureurs automobiles, Montreal, Quebec, 2010, p. 8. Our translation.
[66] Ibid., p. 7.

or the Financial Services Commission of Ontario generally proposed supplying a list of insurers or brokers, or directed us to the website of the Insurance Brokers Association of Canada.[67]

In 1996, the Quebec branch of the Insurance Bureau of Canada (IBC) set up an "Access to Home Insurance Mechanism."[68] There is relatively little information on it, and the many requests for information we made to the IBC have yielded few clarifications:

> *"Le Mécanisme d'accès à l'assurance habitation (Mécanisme) a pour but de procurer au consommateur un contrat d'assurance habitation pour couvrir ses biens et sa responsabilité civile. Les protections offertes par l'assureur doivent répondre aux besoins du consommateur selon certaines conditions. Ce mécanisme lie chaque assureur signataire de la Convention d'adhésion au mécanisme d'accès à l'assurance habitation (Convention) avec the IBC. Il vise les contrats d'assurance suivants :*
> - *propriétaire occupant (6 logis et moins);*
> - *locataire occupant;*
> - *copropriétaire occupant.*
>
> *Il ne s'agit pas d'un partage de risque (pool) mais plutôt d'un mécanisme auquel les assureurs ont adhéré sur une base volontaire. Lorsqu'un consommateur a effectué ses cinq appels (sans succès), il peut contacter un agent du Centre d'informations sur les assurances qui tentera de lui venir en aide pour se procurer une police d'assurance. Lorsqu'un assureur prend ou reprend un tel risque (assuré), ce dernier devient pour l'assureur un client "normal" et ne fait pas partie d'un pool."*[69]

Our questions about the nature of the agreement, whether this "mechanism" was more than a consumer guidance service, or what means was used to publicize it, or how many consumers relied on it – all these questions remained unanswered despite our many attempts. As for the insurers who had ratified the agreement, the IBC refuses to make this information public "for reasons of partiality toward [their] members."[70]

B) Performance of the General Insurance Industry

The general insurance industry, also known as the damage insurance industry (fire, accident, miscellaneous risks), includes personal property, motor vehicle and business insurance. In 2008, it generated a volume of premiums of $37 million in Canada, including $17 million for automobile insurance and $6 million for personal property insurance (home insurance).[71]

The industry presents itself as being highly competitive. The "Press Kit" of the GAA and IBC, for instance, presents Quebec's general insurance industry as a "competitive sector" and emphasizes the "193 insurers authorized to take out automobile, home and business insurance

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[67] **INSURANCE BROKERS ASSOCIATION OF CANADA**, website of the Insurance Brokers Association of Canada, Toronto, Ontario, [online] http://www.ibac.ca/ (page consulted on April 12, 2010).
[68] **IBC**, op. cit., note 14, p. 8.
[69] E-mail from Mr. Bernard Marchand, public affairs (government) consultant, Insurance Bureau of Canada, Tuesday, June 22, 2010.
[70] Ibid. Our translation.
[71] **IBC,** *Facts of the general insurance industry in Canada - 2009*, Insurance Bureau of Canada, Toronto, Ontario, 35th edition, 2009, p. 5.

in Quebec." However, the *Rapport annuel 2009 sur les assurances* produced by the AMF revealed that "By consolidating the market shares of insurers in a given group, the eight major insurers underwrite over 65% of total direct premiums."[72]

Our examination of the performance of the general insurance industry begins with Quebec automobile insurers, and with the AMF's assessment of this sector of the industry.

> *"Calculé sur une période de 20 ans, le bénéfice d'exploitation est de 8,4 % des primes acquises. On considère que les assureurs évaluent bien les risques auxquels ils sont exposés […]. Ainsi, la tarification pratiquée par les assureurs peut être qualifiée d'adéquate."* [73]

To elaborate on its assessment of automobile insurance pricing and of average premiums (which decreased in 2008 for the sixth consecutive year),[74] the AMF considers how accurately insurers assess the risk they face. The criterion retained by the AMF is "financial soundness," assessed on the basis of the industry's performance in the relatively long term. Before focusing on the results of the AMF's analysis and on the performance of the general insurance industry, we will briefly examine the main factors of performance in the field of insurance.

C) Insurance Equation

Any company has revenues and expenses, and depending on its nature (private, public, for-profit or non-profit) it attempts to be in the black. Depending on the field of activity, we can identify various components of revenues or expenses.

In the insurance industry, the various factors in the profitability or budget-balancing equation are the following:

- **Underwritten premiums** are money inflows collected by insurance from their customers' contributions. This is the main income. This factor is represented here by the letter "**P**".
- The **losses suffered** by the insured and compensated by insurers constitute the latter's main expense. This factor is represented here by the letter "**L**".
- **The loss ratio** is the ratio of losses suffered over premiums underwritten. It may be expressed as "**L/P**". This ratio varies from year to year. The risk forecast is not an exact science and is based on average results calculated over many years. The performance calculated over a certain number of years is thus more important than the annual ratio.
- **Operating expenses** are the cost to insurers of operating their company, pay the rent and employees, etc. This factor is represented here by the letter "**E**".
- The **combined ratio**, also called "**technical result**," is the loss ratio plus operating expenses. It can be represented by the following formula: **L/P + E/P**. This ratio accounts

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[72] **AMF**, *Rapport Annuel 2009 Assurances,* Direction de la surveillance des institutions financières de l'Autorité des marchés financiers, Québec City, Quebec, 2010, p. XIV. Our translation.
[73] **AMF**, *Rapport sur la tarification sur la tarification en assurance automobile*, Québec City, Canada, 2008.
[74] **AMF**, *Rapport annuel 2008. La tarification en assurance automobile*, Direction des normes et vigie de l'Autorité des marchés financiers, Québec City, Canada, 2009, 76 pages. This statistic should be treated with caution.

for profits (or losses) resulting from insurance activities strictly speaking, but it does not fully account for whether the company is profitable or not.

- **Investment income (I)**. Insurers collect and manage each year considerable amounts of money, which are invested in the financial markets. To guarantee that their contractual obligations are met (including, firstly, that of compensating the insured under the terms of the contract binding them) and remain solvent, insurers must maintain their access to considerable reserves of liquidity and equity, to be prepared for sudden rises in claims. This constraint means that insurers' investor profile much be much more cautious than that of other financial institutions.

According to the following assumption (based on ratios actually observed in automobile insurance in Quebec): for each premium dollar (**P**) collected in contributions by an insurer in one year, it must return in losses (**L**) $0.60 to the insured who suffered insurable damage. Keeping the company afloat and paying its employees costs the equivalent of $0.30 (**E**). That insurer's loss ratio is therefore 60% (**L/P**), while its combined ratio is equivalent to $0.90 (**P-L+E**), i.e., 90% (**L/P+E/P**) of the value of underwritten premiums. Assuming then that this insurer, with the money it manages and invests, while retaining a substantial proportion of liquid investment, succeeds in obtaining an investment income equivalent to 2% of its volume of premiums, its investment income is $0.02 (**I**) for every premium dollar acquired.

Finally, this insurer's net profit is therefore 12% of premiums acquired, or $0.12 for each premium dollar. This result is obtained by the following formula:
P-L-E+I – or $1.00 - $0.60 - $0.30 + $0.02 = $0.12.

In insurance, it is thus important to take into account that, in the profitability equation, money inflows include premiums as well as investment income. And expenses include loss compensations and operating expenses.

D) Automobile Insurance Results

We will now focus on the automobile insurance industry, i.e., private automobile insurance, which is doing very well in Quebec, particularly since the turn of the 21st century.

Table 3 presents the evolution of the main factors in the Quebec automobile insurance equation, as compiled (or estimated, with regard to investment income) by the AMF.

The first line presents the total amount of underwritten premiums as absolute values, while all the following lines present the value of the other factors in proportion to that of the premiums, which establishes the reference point (total premiums = 100%). The loss ratio fell from 76.3% in 1999 to 58.0% in 2004, before climbing back to 62.7%. Given that the loss ratio is calculated on the basis of a proportion of underwritten premiums/compensated losses, this variation is explained both by the increase in the value of premiums (from $1,991 M in 1999 to $3,050 M in 2008) and by the decrease in compensated losses (or in amounts paid). Over this period, the average premium in the industry reportedly increased until 2002 before starting to decrease in 2003.[75] According to the AMF, the determining factor was the decrease in losses, particularly in claims.[76]

[75] Ibid. p. 51.
[76] Ibid. p. 28-29.

Operating expenses remained quite stable over the period considered, and have oscillated between 25.1% and 27.7% of the value of total annual premiums.

The investment income estimated by the AMF (automobile insurers are not obliged to give it this information) represent, for the purposes of its performance calculation, from 1% to 1.5% of the value of premiums. But these values are extremely conservative. The report specifies that they are "minimum values" based on the average annual rates of three-month and six-month Treasury Bonds[77].

On that basis, the annual profits of insurers have been estimated at -2.5% and 3.1% in 1999 and 2000, respectively, to represent up to 17.1% of the value of premiums in 2005. From 2001 to 2008, the average annual profit estimated by these calculations is 14.2%. Again according to AMF calculations, in 2008 the profit reached 12.1% over 10 years, and 8.4% over 20 years.

TABLE 3
Results of Automobile Insurance Operations in Quebec,
in Proportion to the Value of Underwritten Premiums

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Underwritten premiums (acquired, in $M)	1991	2228	2417	2600	2803	2956	3024	3014	3023	3050
Underwritten premiums	100	100	100	100	100	100	100	100	100	100
Investment income	1.3	1.4	1.2	1.0	1.1	1.0	1.1	1.4	1.5	1.0
Total income	101.3	101.4	101.2	101.0	101.1	101.0	101.1	101.4	101.5	101.0
Losses	76.3	72.6	66.0	61.3	60.0	58.0	58.2	59.1	61.5	62.7
Operating expenses	27.5	25.7	25.0	25.4	25.5	26.2	25.8	26.7	27.0	27.4
Total expenses	103.8	98.3	91.0	86.7	85.5	84.2	84.0	85.8	88.5	90.1
Profit (loss)	-2.5	3.1	10.2	14.3	15.6	16.8	17.1	15.6	13.0	10.9
Profit (loss) over 10 years	2.9	3.0	4.1	5.1	6.2	7.2	8.3	9.4	10.8	12.1
Profit (loss) over 20 years	N/V	N/V	N/V	3.4	3.7	4.6	6.0	7.1	7.8	8.4

Source: AMF, 2008 Annual Report. La tarification en assurance automobile, Direction des normes et vigie de l'Autorité des marchés financiers, Québec City, Canada, 2009, 76 pages.

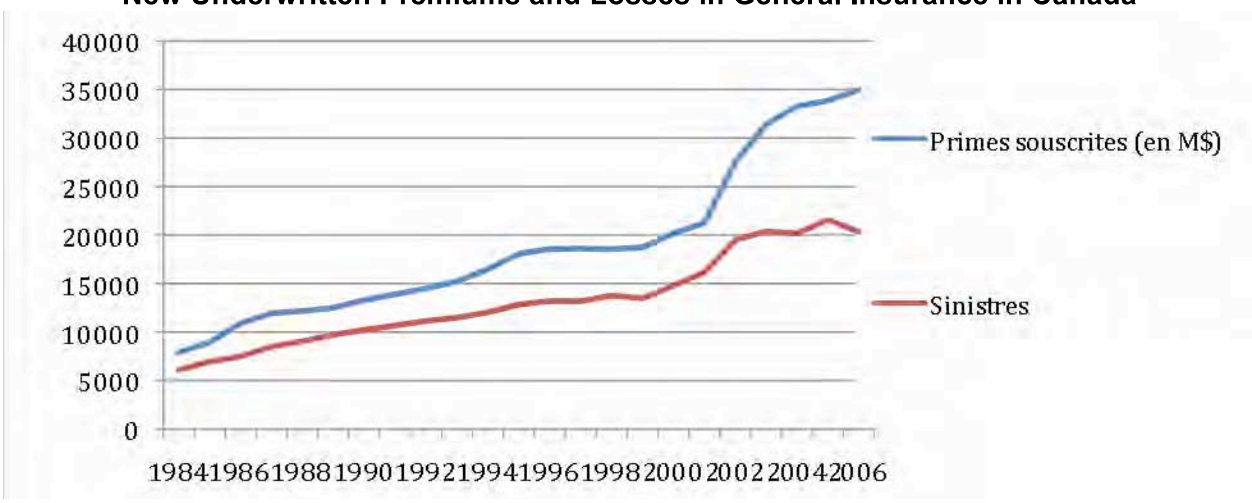
[77] Ibid. p. 27.

E) General Insurance Results in Canada

The IBC produces annually a report on general insurance in Canada. Until 2005, it usually included in this report the following mention: "For each year after 1978, the property and casualty insurance industry in Canada has posted underwriting losses, which have been offset by investment gains."[78] Clearly, the insurers wanted to emphasize how well competition served consumers: competition in the insurance market is such, prices are so low, that insurers can be profitable only through investment income.

That has certainly not been the case since 2003.[79] From that year on, the industry's combined ratio is less than 100% of underwritten premiums. In other words, the technical results (premiums less losses and operating expenses) have become positive, and underwriting premiums has become profitable even before investment income is taken into account. After 2003, investment income has been added to an already positive result. As illustrated in Table 4, this development has occurred simultaneously with a spectacular recovery of premiums, while the value of losses has reached a ceiling.

TABLE 4
New Underwritten Premiums and Losses in General Insurance in Canada



Source: IBC, Facts of the general insurance industry in Canada - 2008, Insurance Bureau of Canada, Toronto, Ontario, 34th edition, 2008.

These numbers pertain to Canada's general insurance industry, which is not the same thing as the automobile insurance or the home insurance industry, although the latter two are included in general insurance. In fact, the evolution is similar to that presented in the AMF's *Rapport sur la tarification en assurance automobile*. However, the combined ratio of Quebec's automobile insurance decreased below 100% as early as 2000. Indeed, it ranged between 84% and 91% from 2001 to 2008. Quebec's auto insurers have thus generated profits over those years without even having to invest a cent.

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[78] See **IBC,** *Facts of the general insurance industry in Canada - 2001*, Insurance Bureau of Canada, Toronto, Ontario, 27th edition, 2001, p. 6. We also found this mention in the 2002, 2003 and 2004 editions, still on page 6.
[79] **IBC,** *Facts of the general insurance industry in Canada - 2005*, Insurance Bureau of Canada, Toronto, Ontario, 31st edition, 2005, p. 7.

The comparison is interesting for additional reasons. The performance of Quebec's automobile insurance industry, with a 12% profit over 10 years, is already deemed excellent by the AMF[80]. The assessment of the profit was produced while taking into account the extremely conservative estimates of investment income, which varied from 1% to 1.5% of the value of premiums. But in examining the investment income obtained by the Canadian general insurance industry from 1984 to 2006 (Table 5), we note that they ranged between 12% and 18% of the value of premiums until 2001, and reached 12% in 2008.

Rather than being conservative, the AMF's estimate therefore appears absurdly low. The profits of Quebec automobile insurers must have been much greater than the AMF estimate of 12% over 10 years. If we apply to those investments the same performance as to the rest of general insurance from 2000 to 2006, we can estimate that the performance of Quebec's auto insurance industry as a whole ranged between 18% and 28% of the value of premiums from 2000 to 2006.

TABLE 5
Investment Income of General Insurers in Canada[81]

Source: **IBC**, *op. cit.* note 78, p. 5. and **IBC**, *Facts of the general insurance industry in Canada - 2008*, Insurance Bureau of Canada, Toronto, Ontario, 33rd edition, 2008, p. 6.

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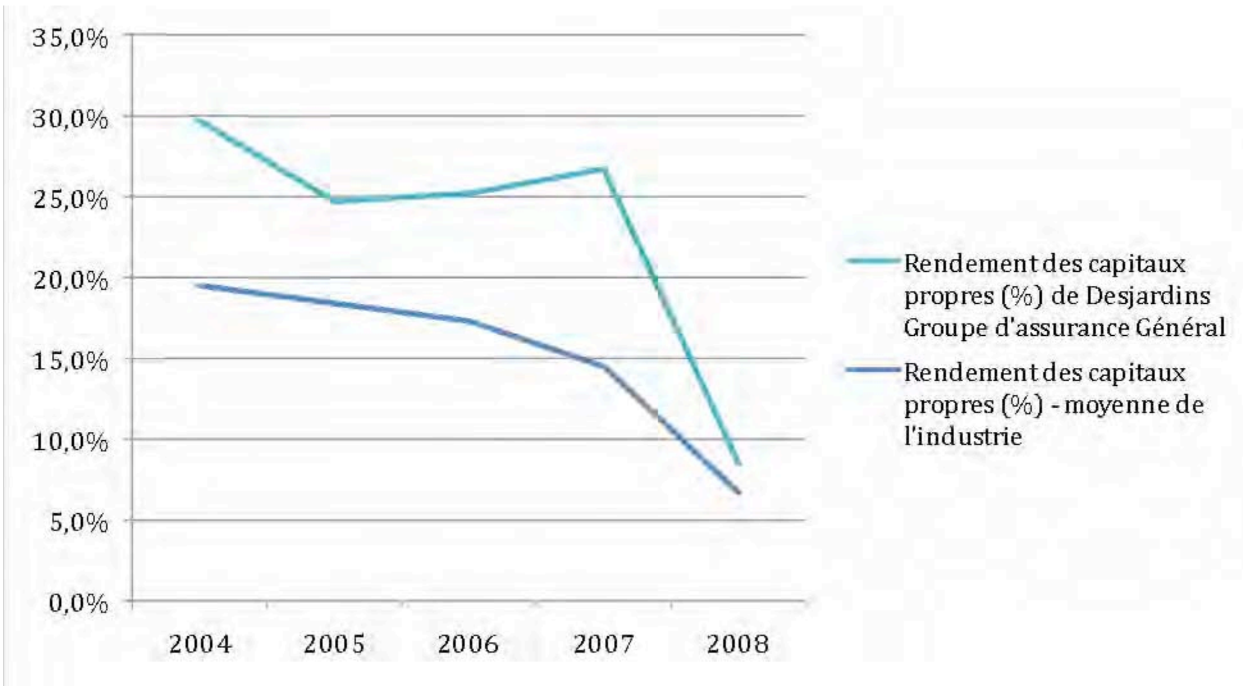
80 The AMF finds that the industry's performance in recent years is "remarkable" and may even "exceed performance objectives expected by certain insurers." Our translation. Even over 20 years, the performance "is slightly better than one generally considered reasonable." Our translation. **AMF**, op. cit. note 74, p. 40-41.

81 It should be noted that the numbers in this graphic are based on the value of "net premiums," which include amounts received in advance. The number usually used for assessing profitability is rather that of "earned premiums," which allocates the value of premiums over the term of the insurer's commitment. The value of earned premiums is thus lower than the value of net underwritten premiums. Accordingly, to calculate on the basis of the latter has the effect of underestimating performance. For instance, for the year 2003, the return of investment income in proportion to net underwritten premiums was – as shown in the graphic – 9.6%, whereas it reached 10.4% when calculated in proportion to earned underwritten premiums. Unfortunately, only the 2004 edition of *General Insurance in Canada* gives the value of earned premiums, and then only for the period 1990-2003. *Ibid*., p. 16. For definitions, see also the AMF report on auto insurance pricing. Ibid., note 48.

Finally, to use a notion that may be viewed as a more adequate indicator of industry performance, we can refer to the performance of equity. According to the annual financial review of Desjardins General Insurance Group (DGIG),[82] equity performance is also very high (Table 6), with an average industry performance that remained at almost 20% until 2007. The year 2008, which according to the DGIG review showed a "marked decline in profitability due to the financial crisis and the increase in loss experience," nevertheless featured a 6.7% return on equity.

TABLE 6
General Insurance Return on Equity



Source: **DESJARDINS GENERAL INSURANCE GROUP**, *Annual Report: Cooperate to Shape Our Destiny*, Mouvement des Caisses Desjardins, Lévis, March 2009, 12 pages.

In short, the general insurance industry – of which home insurance is a part – is very far from being in poor shape in Quebec and Canada.

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[82] DGAD groups Certas, auto and home insurance; Certas Direct, an insurance company; The Personal, an insurance company; The Personal, general insurance; Desjardins, general insurance; Desjardins, general insurance services. In fact, DGAD owns 90% of these insurers. 64% of the volume of premiums is underwritten in Quebec.
DESJARDINS GENERAL INSURANCE GROUP, *Revue financière annuelle : Agir ensemble pour créer l'avenir*, Mouvement des Caisses Desjardins, Lévis, Quebec, March 2009, 12 pages.

2.7 REVIEW OF THE MAIN DATA AND STUDIES ON THE ISSUE OF ACCESS TO HOME INSURANCE

In this chapter, we will try to assess the proportion of Canadians who are not covered by home insurance and to understand the factors that result in some households not being insured. First we will compare the provinces on the basis of data from Statistics Canada's Survey of Household Spending. Then we will study further the phenomenon of non-insurance, its amplitude and determining factors, by examining in greater detail the case of Quebec, on which several studies have focused.

The data of Statistics Canada's Survey of Household Spending (SHS) allow interesting interprovincial comparisons. In combining the proportions of households that have declared expenses for owner or tenant insurance premiums, we obtain the totals reproduced in Table 7 below. The survey mentions that Canada's level of home insurance is slightly less than 80%. Apart from the territories,[83] this rate is lowest in Newfoundland at 67% of households insured, and is highest in Quebec at 83%. The three Prairie Provinces follow at 82% and 81%.

TABLE 7
Levels of Home Insurance according to the SDS – 2007

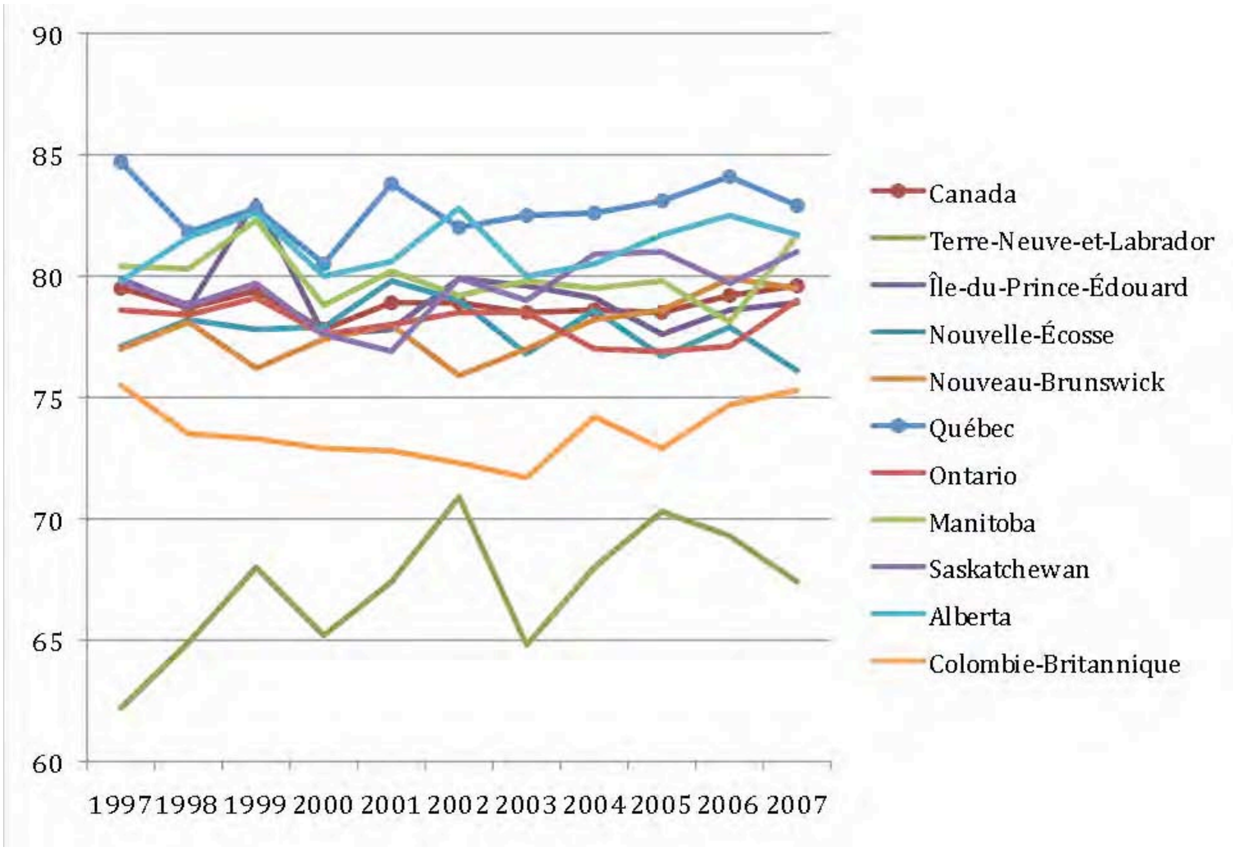
PROVINCE	% INSURED
Quebec	82.9%
Alberta	81.7%
Manitoba	81.7%
Saskatchewan	81%
New Brunswick	79.5%
Ontario	79%
Prince Edward Island	78.9%
Nova Scotia	76.1%
British Columbia	75.3%
Newfoundland and Labrador	67.4%
Canada	**79.6**%

Source: Statistics Canada, *Spending Patterns in Canada, 2008*, Ottawa, Canada, catalogue No. 62-202-X, 2009.

While Nova Scotia (76%) was slightly ahead of British Columbia (75%) in 2007, Table 8 demonstrates that the former had to catch up. With Newfoundland and Labrador, from 1998 to 2006, British Columbia was the only province to see its level of insured to range between 76% and 84%. The same table also shows Quebec to be consistently (except in 2002) the province with the highest level of insured.

[83] For most of the years and data required, there are insufficient numbers available for Nunavut, the Yukon and the Northwest Territories.

TABLE 8
Level of Insured per Province According to the SDS
1997-2007 Evolution



Source: Statistics Canada, "Table 203-0003, household spending on shelter, by province and territory, annual. 1997-2007" *Survey of household spending (SHS)*, Statistics Canada, Ottawa, Canada, latest update: December 19, 2008.

Tables 9 and 10 indicate the proportions of homeowner and tenant Canadians who are covered by home insurance. It is interesting that, as we will examine later, the non-insured are almost all tenants.

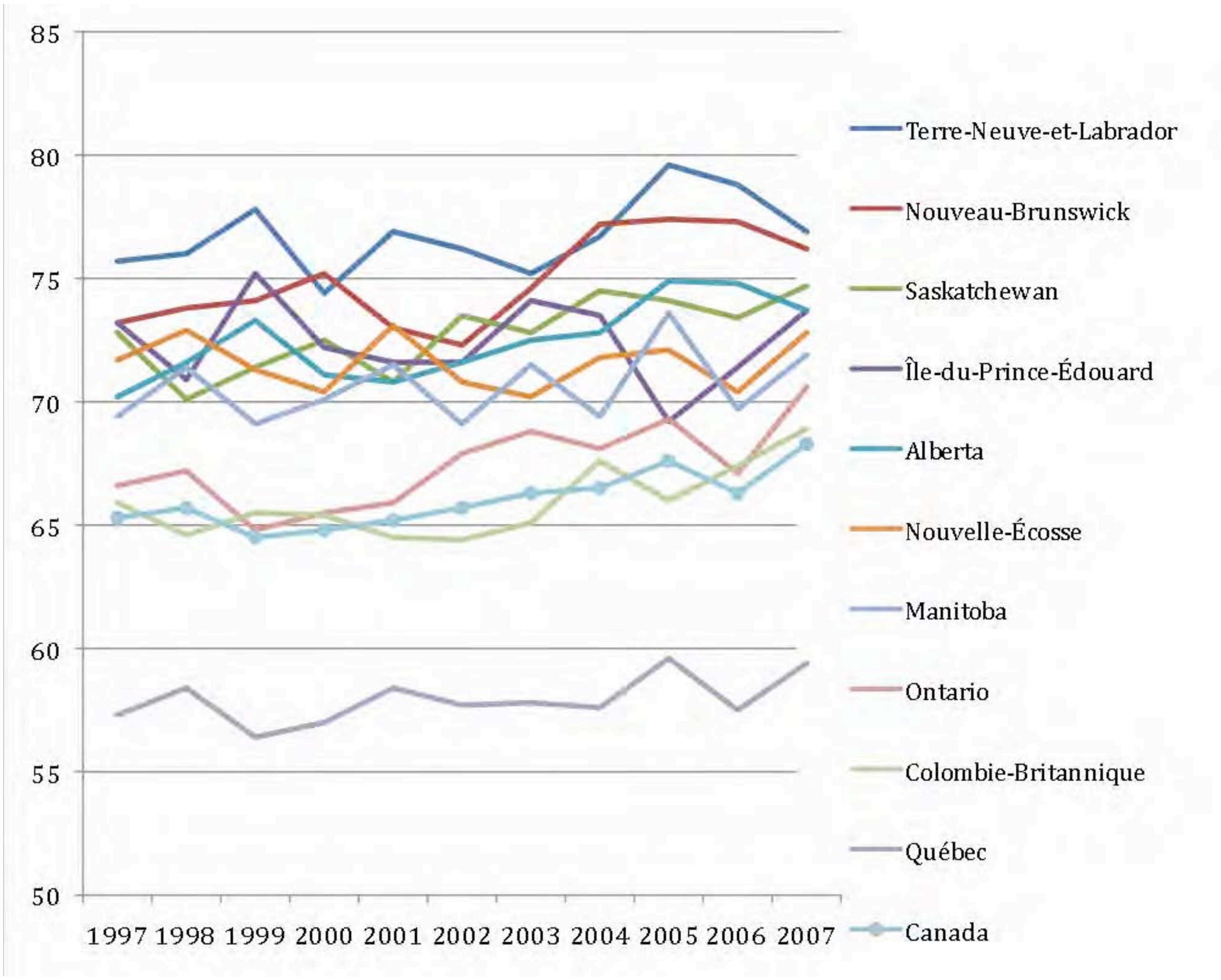
TABLE 9
Proportion of Homeowner and Tenant Households That Are Insured - 2007

Province	Proportion of Insured Homeowners	Proportion of Insured Tenants
Newfoundland and Labrador	76.9	16.5
New Brunswick	76.2	31.4
Saskatchewan	74.7	38.8
Prince Edward Island	73.7	32.1
Alberta	73.7	36.3
Nova Scotia	72.8	30.1
Manitoba	71.9	36.9
Ontario	70.6	32.5
British Columbia	68.9	25.8
Quebec	59.4	57.6
Canada	68.3	39.9

Source: Statistics Canada, "Table 203-0003, household spending on shelter, by province and territory, annual. 1997-2007" *Survey of household spending (SHS)*, Statistics Canada, Ottawa, Canada, latest update: December 19, 2008.

Quebec stands out with a level of homeowner households (59%) considerably lower than that of other provinces, where it ranges from 69% to 77%. Inversely, Quebec's level of tenants covered by home insurance, at 58%, is virtually double that of most other Canadian provinces, where it averages about 30%. Newfoundland and Labrador also stand out, but for exactly opposite reasons. While its level of insured was by far the lowest, the easternmost Canadian province has the highest level of homeowner households (77%) in the country, and has the lowest proportion of insured tenants (only 17%). However, the rest of the data do not prove some asymmetrical relation between the level of insured and the proportion of homeowner households.

TABLE 10
Proportion of Homeowner Households in Canada – 1997-2007



Source: Statistics Canada, "Table 203-0003, household spending on shelter, by province and territory, annual. 1997-2007" *Survey of household spending (SHS)*, Statistics Canada, Ottawa, Canada, latest update: December 19, 2008.

Finally, since mortgage lenders require that the dwelling for which they grant a loan and that serves as collateral is insured, this is an important factor in explaining the levels of insured homeowners. But Table 11 shows that the relation may not be as simple as it seems. Only 38.9% of Canadians declare mortgage expenses. Newfoundland and Labrador, despite having the highest proportion of homeowners in the country, has the lowest proportion of residents paying a mortgage – lower than Quebec, which is not as different from the other provinces in this regard as it is in the level of homeowner households.

TABLE 11
Proportion of Households Declaring Mortgage Expenses (2007)

PROVINCE	%
Alberta	42.7%
Ontario	41.7%
Manitoba	40.3%
New Brunswick	40.0%
Prince Edward Island	39.1%
Nova Scotia	37.6%
British Columbia	37.5%
Saskatchewan	35.4%
Quebec	34.6%
Newfoundland and Labrador	33.2%
Canada	38.9%

Source: Statistics Canada, "Table 203-0003, household spending on shelter, by province and territory, annual. 1997-2007" *Survey of household spending (SHS)*, Statistics Canada, Ottawa, Canada, latest update: December 19, 2008.

To clarify the phenomenon and see that it may not be as easy to measure as the comparison between the provinces suggests, we will focus on various Quebec studies that have studied the question with different methods and parameters, more specific to Quebec. Given the lack of details on the methodology (if not a complete absence, in some cases) of many of the studies, and the difficulty in comparing all those data, we have found it impossible to discuss them critically. Since none of the studies can really claim to be the reference, we will only briefly review their main findings.

We have reviewed three sources of data. First there are the data from two surveys produced at the IBC's request.[84] The second source is a study produced by Laval University professors from the Industrial Alliance Chair in Insurance and Financial Services and from the Actuarial School. We will then consider the data of two studies produced by community groups, i.e., the Services aux consommateurs de Shawinigan and the Bureau d'animation et d'information logement du Québec Métropolitain.

At the beginning of the 2000s, the IBC commissioned the firm Baromètre to conduct two surveys on the level of home insurance in Quebec and on the Island of Montreal (Table 12). Those surveys showed that 89% of Quebec households and 86% of Montrealers were insured. So apparently, 11% of Quebec households and 14% of Montreal households are not covered by home insurance.

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[84] **BAROMÈTRE**, excerpts from "Le taux de détention d'une assurance habitation," Omnibaromètre of September 14, 2000, analysis report presented to the Insurance Bureau of Canada, Montreal, Quebec, September 2000, pp. 4-11. **BAROMÈTRE**, excerpts from "Accès à l'assurance habitation sur l'île de Montréal : Rapport final," poll conducted for the Insurance Bureau of Canada, Montreal, Quebec, April 2002, pp. 6-9, 11, 12, 15, 18, 19.

According to all available studies, tenants are substantially less insured than homeowners. Thus, according to the IBC's data, the level of non-insurance is 24% among Quebec tenants, and climbs to 28% among Island of Montreal tenants. Moreover, the level of insurance is lower (80%) on the territory of the former City of Montreal (before mergers) than on the rest of the Island (90%).

TABLE 12
Data of the Insurance Bureau of Canada (2000 and 2002)

	Island of Montreal	Quebec
Proportion of all uninsured residents	14%	11%
Proportion of uninsured tenants	28%	24%

Source: **BAROMÈTRE**, excerpts from "Le taux de détention d'une assurance habitation," Omnibaromètre of September 14, 2000, analysis report presented to the Insurance Bureau of Canada, Montreal, Quebec, September 2000, pp. 4-11, and **BAROMÈTRE**, excerpts from "Accès à l'assurance habitation sur l'île de Montréal : Rapport final," survey conducted for the Insurance Bureau of Canada, Montreal, Quebec, April 2002, pp. 6-9, 11, 12, 15, 18, 19.

A group of Laval University professors from the Industrial Alliance Chair in Insurance and Financial Services and from the Actuarial School conducted a study of the level of insurance in five central neighbourhoods (St-Roch and St-Sacrement in Québec City, and in Sherbrooke, Chicoutimi and Trois-Rivières). Directed by Gendron and Marceau,[85] it found that 26% of all tenant respondents questioned in those five neighbourhoods had no home insurance. But there were considerable differences between those neighbourhoods, with the proportion of uninsured residents varying between 33% in Sherbrooke, 11% in Chicoutimi or, when tenants alone were considered, 41% in Sherbrooke and 18% in St-Sacrement. Similarly, the proportion of tenant households ranged between 80% of all residents in Sherbrooke and 50% in Chicoutimi. Among homeowners, the level of insurance was 99%. In the total sample, 19% were thus found to be uninsured.

For its part, in 2003 the Service d'aide aux consommateurs de Shawinigan (SAC) conducted three surveys – two in disadvantaged central neighbourhoods and one across Canada[86] – revealing that 23% of Shawinigan's St-Marc neighbourhood residents, 20% of Québec City's St-Roch neighbourhood residents and 18% of Canadians had no home insurance.[87]

In the SAC survey's samples, the tenants/homeowners ratio was 74/26 (in percentage) in Shawinigan and 69/31 in St-Roch. In the Canadian sample, inversely, 37% of respondents were tenants and 63% homeowners. The data on Canadian residents correspond closely to those of Statistics Canada, which estimated the tenants/homeowners ratio at 35/65.[88] Moreover, while

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[85] **GENDRON,** Michel and Étienne **MARCEAU**, "L'accès au marché de l'assurance habitation dans les quartiers centraux de quatre villes québécoises," Assurance, Montreal, Quebec, Number 3, 1999, pp. 479-494.
[86] **PLAMONDON, Madeleine** (Dir.), *ASSURANCE BIENS/HABITATION POUR TOUS, Recherche visant à cerner les problèmes reliés à l'accessibilité à l'assurance biens/habitation*, Report presented to Industry Canada – Office of Consumer Affairs by the Service d'aide au consommateur de Shawinigan (SAC), Shawinigan, Quebec, 2003, 147 pages.
[87] Ibid., p. 26.
[88] **STATISTICS CANADA**, *Spending Habits in Canada, 2002*, Statistics Canada, Ottawa, Canada, catalogue No. 62-202-XIF, June 2004, p. 60. To the extent that that the SAC's sample slightly

tenants were 98% of the uninsured in the two central neighbourhoods – 99% in the survey by Gendron and Marceau –, that proportion was only 91% among uninsured Canadians.

The first study of this type in Quebec was conducted in 1995 by the Bureau d'animation et d'information logement du Québec Métropolitain.[89] Based on a telephone poll conducted among 300 residents of the St-Roch neighbourhood (in its narrower delimitation, before its revitalization and during the bikers' war), the study found that 95.6% of homeowners and 61.6% of tenants were insured. 87.2% of households were tenants, according to 1991 census data.

Those data should be put in perspective with those we have used in interprovincial comparisons. According to the SDS, the proportion of households that declared insurance expenses in 2007 is 83% in Quebec and 80% in Canada (Table 13). Only 57% of Quebec tenants declared insurance expenses, whereas they were 43% of households (98% of homeowners questioned reported insurance expenses). An article published in 2000 in *Le Soleil* mentioned a CROP poll on "personal finances" with findings closer to those of the SDS. According to that poll, only 77% of Quebecers had home insurance (according to the SDS, 80.5% in that same year).[90]

TABLE 13

Data of the Statistics Canada Survey of Household Spending (2007)

HOUSEHOLDS	Canada	Quebec
Proportion of tenant households*	35%	43%
Proportion of homeowner households*	68%	58%
Proportion of insured tenant households	39%	57%
Proportion of insured homeowner households	96%	98%
Proportion of all insured households	80%	83%

* It is normal that the addition of homeowner and tenant households produces a total greater than 100%, because these numbers pertain to expenditures made over the entire year, during which many households may have changed status.

In short, the estimates vary. Between the IBC's estimate – stating that the problem affects "only" 11% of Quebecers – and the SDS's – stating that 17% of Quebecers are affected –, there is a certain variance. However, the interprovincial comparison reveals that while 20% of the Canadian population were affected, Quebec and Alberta are the two most insured provinces. Newfoundland and Labrador are far behind, with only 67% of the insured.

underestimates the number of tenants, we may assume that it also overestimates the proportion of insured households. In 2008, that ratio had reached 34/66.

89 **CUSSON**, Denis, *Les assurances sur les biens dans le Quartier St-Roch, Rapport préliminaire,* Bureau d'animation et information Logement du Québec métropolitain (BAIL) in collaboration with the Carrefour pour La relance de l'économie et de l'emploi de Québec (CRÉECQ), Québec City, Quebec, June 1995, 42 pages.

90 **GIRARD** Michel, "Vos biens sont-ils assurés adéquatement," *Le Soleil*, Québec City, Quebec, Saturday, February 19, 2000, p. A6.

A) Who Are the Uninsured?

Generally, all available data point to the uninsured being concentrated mainly among low-income persons. The IBC data show that most of the uninsured are tenants (74% of the uninsured on the Island of Montreal). Among respondents with a household income less than $20,000, 43% of those residing on the Island of Montreal were uninsured, and 25% in the rest of Quebec. This difference between Montreal and the rest of Quebec is likely explained by the fact that with equal incomes, it is much easier to own a home outside the city.

For its part, the study of the Bureau d'animation et d'information logement du Québec Métropolitain (BAIL) revealed that only 35.7% of households on social security were insured. Among all uninsured households, 36% were receiving social security benefits, 22% depended on pension plan benefits, and only 17% were employed.

The SAC wrote in 2003: "Almost all the uninsured are tenants. In the central neighbourhoods [St-Roch and St-Marc], most of the uninsured lived alone, received social security benefits or earned salaries of less than $20,000 a year."[91] The study also reported significant differences with the rest of Canada, where, notably, there were more uninsured homeowners. Salaried employees formed the largest sub-group of uninsured (47%) in Canada, whereas in St-Marc the unemployed did (49%); the St-Roch neighbourhood was in between with 34% of the uninsured being unemployed and 26% being salaried employees (see Table 14).[92] The income and size of uninsured households were also greater in Canada.[93]

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[91] **PLAMONDON,** Madeleine, *op. cit.* note 86, p. 9. Our translation.
[92] *Ibid*., p. 35.
[93] While the uninsured surveyed by the SAC do not all have incomes lower than $20,000, the vast majority fall into this income bracket.
Households whose income is lower than $20,000 constitute 64%, 79%, and 58%, respectively, of the uninsured households in the neighbourhoods of St-Marc, St-Roch and the rest of Canada. Moreover, we observe that the proportion of households whose incomes are less than $20,000 is lower in Canada, where a majority of households number more than one person. This likely reflects the costs of living and housing, which are higher than in Quebec, as well as the fact that household income must be related to its size ($30,000 for a one-person household is very different from $30,000 for a household of 2 or 3 persons). As do statistical agencies, we must therefore note that the level of low incomes is a relative concept that must take disposable income into account rather than absolute values.

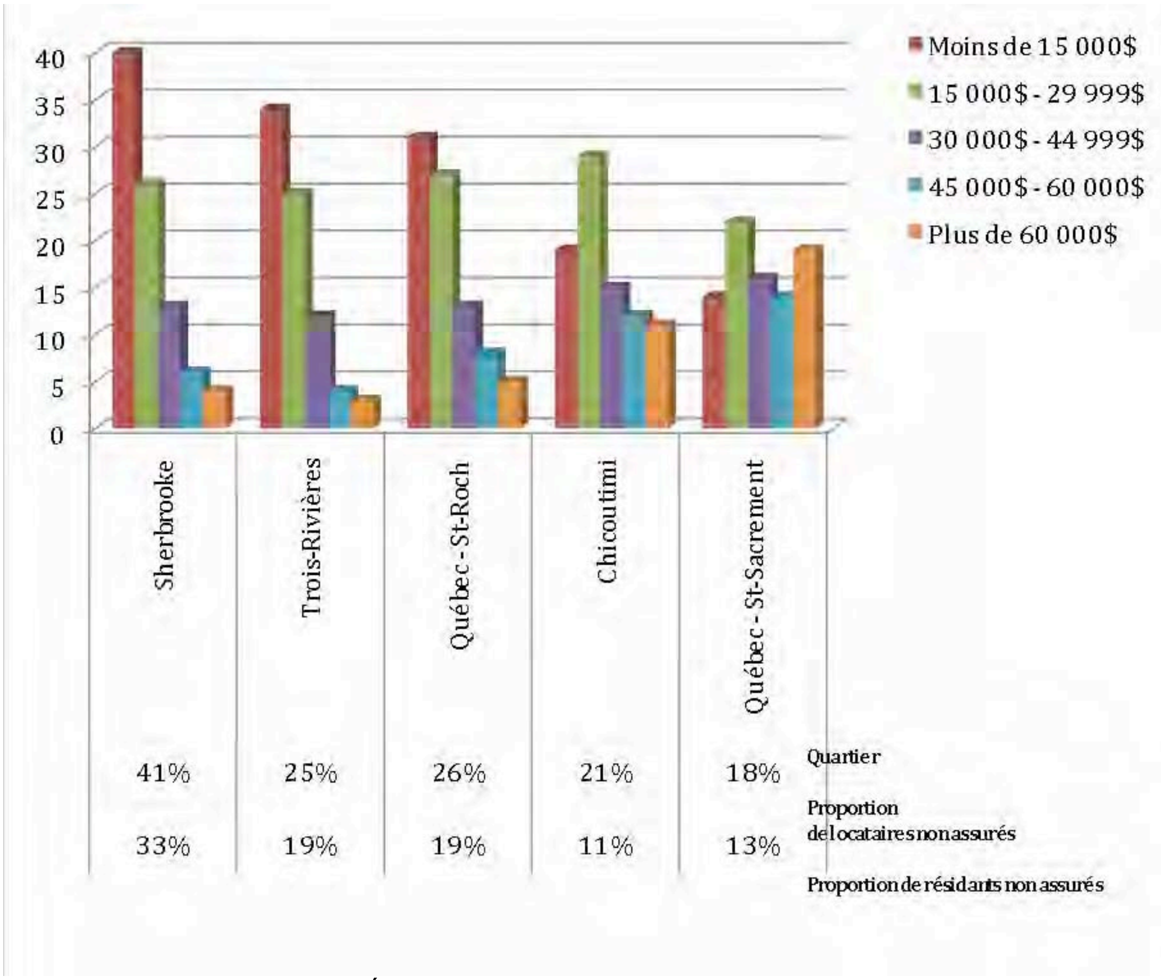
TABLE 14
SAC Survey's Profile of the Uninsured

PROFILE OF THE UNINSURED		SHAWINIGAN (St-Marc Neighbourhood)	QUEBEC (St-Roch Neighbourhood)	CANADA
RESIDENTIAL SITUATION		[n: 40]	[n: 61]	[N: 55]
	Tenant	98%	98%	91%
	Homeowner	2%	2%	9%
OCCUPATION	**Salaried employee**	17%	26%	47%
	Self-employed, business owner	9%	8%	11%
	Unemployed	49%	34%	13%
	Student	0%	12%	18%
	Retired	25%	20%	11%
TOTAL HOUSEHOLD INCOME BEFORE TAXES		[n: 40]	[n: 54]	[n: 50]
	$0 to $20,000	64%	79%	58%
	$20,000 to $40,000	6%	17%	22%
	$40,000 to $75 000	0%	2%	19%
	$75,000 and over	0%	2%	4%

PLAMONDON, Madeleine (Dir.), ASSURANCE BIENS/HABITATION POUR TOUS, study of property/home insurance accessibility problems, report presented to Industry Canada - Office of Consumer Affairs by Shawinigan's Consumer Assistance Service (SAC), Shawinigan, Quebec, 2003, 147 pages.

Finally, the most eloquent illustration of the link between insurance and income levels is found in Gendron and Marceau's study. The latter shows a very clear relationship between income distribution and the proportion of insured/uninsured residents. As illustrated in Table 15 (based on the data in Gendron and Marceau's article), the greater the number of low-income people in a neighbourhood, the greater the proportion of uninsured residents. Thus, in the Sherbrooke neighbourhood, in which 40% of households had an income lower than $15,000, we find that 33% of households were uninsured. In Québec City's St-Sacrement neighbourhood, where only 13% of households had an income lower than $15,000, only 13% of residents were uninsured. The proportion of a neighbourhood's insured residents rises with their average household income.

TABLE 15
Population Distribution by Income Bracket
and Proportion of the Insured Population by Neighbourhood
according to Gendron and Marceau



Source: Michel Gendron and Étienne Marceau, "L'accès au marché de l'assurance habitation dans les quartiers centraux de quatre villes québécoises," *Assurance*, Number 3, 1999.

2.8 WHAT DO ALL THESE DATA TELL US?

A) Income Level

An obvious conclusion is that the level of insurance is inversely proportional to the presence of low-income residents in a neighbourhood. The sectors most affected by a non-insurance problem are disadvantaged central urban neighbourhoods. In the cases of Sherbrooke in 1999 and St-Roch in 1995, total insurance levels were lower than 70%, while tenants, who are more numerous there than elsewhere, had insurance levels of around 60%. Generally, everything leads to the conclusion that the more disadvantaged a neighbourhood, the lower its insurance level. Still, as the comparison with Canadian data reminds us, income level and a disadvantaged situation are relative notions. A household's disposable income – and thus its capacity to add the cost of home insurance premiums to its general expenditures – will greatly vary according to whether it resides in Chibougamau, Montreal, or Toronto.

B) Tenant or Homeowner

A second observation: tenants are substantially less insured than homeowners. The insurance levels of homeowners, which range between 96% and 100%, are likely explained in good part by the obligation to be insured in order to obtain a mortgage.[94] Low-income homeowner households in rural areas, where access to property is less expensive and the rental market is very limited, will likely be insured in a much greater proportion than low-income urban households, who are condemned to renting. At the same time, as we have seen in the Canada-wide statistics, the proportion of Canadians who have to bear mortgage expenditures (38%) is not as high as the level of homeowner households (68%).

We also assume that the marginal proportions of uninsured homeowners are constituted essentially by households who inherited their house, paid cash for it, or have owned it long enough to have no mortgage to pay anymore.

With 11% to 17% of uninsured households in Quebec (and even more in Canada), the problem of households not covered by home insurance does not appear marginal or negligible – especially since this problem is not distributed randomly among the population. It is more concentrated among low-income people, who are already the most vulnerable.

C) Why Are Certain Households not Insured?

The literature we have consulted proposes essentially two interpretations of the non-insurance problem. One thesis is that the latter results from the arbitrary policies of insurers. The other thesis is that there really is no problem, since the people who would actually want to be insured would be so without too much difficulty. For its part, the raw data analysis certainly indicates a direct link between income level and insurance level.

The first thesis is presented notably in a study conducted in 2002 by Option consommateurs, in an attempt to verify whether it was more difficult to be insured in certain neighbourhoods than others, by comparing disadvantaged areas with control or comparison ones.[95] It was observed that in Montreal, being insured was more costly and difficult in Hochelaga-Maisonneuve, a disadvantaged neighbourhood, than in Rosemont.[96] This difference between neighbourhoods

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[94] Obviously, this is also an aspect that is related to the income situation. Indeed, buying a house requires financial resources that not everyone has; absent a sufficient income, many are forced to rent. The necessity of having insurance also adds to the cost of buying a home. But access to housing is not our concern here; we conclude that the obligation imposed by mortgage lenders to borrowers is likely a determining factor in homeowners' insurance rates.

[95] **POULIN**, Stéphanie, *Existe-t-il un problème d'accessibilité à l'assurance biens/habitation dans certains quartiers urbains de Halifax, Calgary et Montréal?*, Option Consommateurs, for the Office of Consumer Affairs, Industry Canada, Montreal, Quebec, June 2002, 83 pages.

[96] Two out of eleven insurers flatly refused to insure the investigator when he pretended to live in the Hochelaga-Maisonneuve neighbourhood (none refused for Rosemont), whereas the average premium for

was observed very little, if at all, in the cities of Calgary and Halifax, where it was not substantially more difficult or expensive to be insured whether one resided in the disadvantaged or in the control or comparison neighbourhood. These findings suggest that it is more difficult and costly, in particular for low-income people, to be insured in a city such as Montreal. The study implies that this difference does not result so much from a higher risk in Hochelaga-Maisonneuve as from a type of arbitrary policy on the part of insurance companies wanting to "discourage certain unwanted consumers from being insured."[97] The 1995 BAIL study, cited above, also reached the same conclusion that insurers charged higher premiums in the neighbourhood of St-Roch on the basis of prejudice toward the latter rather than on the basis of rigorous risk assessment.[98]

In response to the OC's findings on the difference between the two Montreal neighbourhoods, an IBC representative explained as follows:

> *"Une personne désireuse de s'assurer va y parvenir. La prime sera peut-être plus élevée dans les quartiers défavorisés, mais cela se justifie. Les assureurs font de la gestion de risques. Ils se basent sur les réclamations qu'ils ont payées dans un quartier pour fixer une prime. Ils tiennent compte, par exemple, du taux de criminalité et du taux d'incendie, plus élevés dans Hochelaga-Maisonneuve que dans Rosemont."* [99]

As is well known, there is more poverty and unemployment in Hochelaga-Maisonneuve than in Rosemont, and crime is more prevalent in the former[100] (although the difference is more flagrant in personal crimes than in property crimes). Therefore, there is good reason to conclude that the higher premiums do reflect the greater number of losses and thefts in one of these two neighbourhoods.

This insurance logic, whereby a premium is based on the risk posed by a segment of the population rather than on the population as a whole, has the unfortunate effect of excluding certain segments from the benefits of risk pooling. While this logic seemed acceptable for insuring a regulated activity and was not necessarily encouraged (driving a vehicle), it has a very different impact on housing. The consequences of an increase in auto insurance premiums charged to higher-risk segments could be, if it is sufficiently large, to remove from the road

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minimum standard coverage was $363.83 in Hochelaga-Maisonneuve v. $299.22 in Rosemont. All the insurers but one required higher premiums in Hochelaga-Maisonneuve. Ibid.

[97] Ibid., p. 55.

[98] **CUSSON,** op. cit. note 89.

[99] Annick Mongeau, public affairs advisor at the Insurance Bureau of Canada (IBC), cited in **HARVEY** Claire, "L'assurance habitation : Pas toujours facile à trouver!," Enquêtes, Option Consommateurs, Montreal, Quebec, February 2003 [Online] http://www.option-consommateurs.org/journalistes/enquetes/8/ (page consulted on April 3, 2010).

[100] **SAVOIE**, Josée, **BEDARD**, Frédéric and Krista **COLLINS**, "Neighbourhood Characteristics and the Distribution of Crime on the Island of Montréal," Crime and Justice Research Paper Series, Canadian Centre for Justice Statistics, Statistics Canada, Ottawa, Ontario, No. 7, June 8, 2006, 84 pages. Service de la mise en valeur du territoire et du patrimoine, *Les arrondissements de Montréal, Répertoire socio-démographique et classement par variables : Revenus*, February 2004, 5 pages.
MISE EN VALEUR DU TERRITOIRE ET DU PATRIMOINE, "Profil sociodémographique Rosemont–La Petite-Patrie," City of Montreal, Montreal, Quebec, May edition, 2009, 28 pages, [Available online] http://www.ville.montreal.qc.ca/montrealenstatistiques (page consulted on February 18, 2010).
MISE EN VALEUR DU TERRITOIRE ET DU PATRIMOINE, "Profil sociodémographique Mercier-Hochelaga-Maisonneuve*,"* City of Montreal, Montreal, Quebec, May 2009 edition, 28 pages, [Online] http://www.ville.montreal.qc.ca/montrealenstatistiques (page consulted on February 18, 2010).

drivers who pose a greater risk; the foreseeable effects would be a reduction in driving hazards for all drivers (and also citizens as a whole), and an overall reduction in premiums, given the reduced overall risk. But the consequences of an increase in the home insurance premiums of higher-risk segments are very different. Those who cannot obtain insurance continue living in their home, but must bear alone the risks related to losses that would be insurable. Rather than a reduced risk for all insured, we can likely foresee an increase in social costs in the event of disasters.

While the approach taken by insurers may explain the situation, it still appears unfair and counterproductive. The consequences are all the more harmful because those who live in the areas considered riskier by insurers are the very people who would most need to be insured and who are least capable of paying a high premium.

We could criticize in the same vein the use of credit scores as a pricing criterion. Such practices penalize the very people who find it most difficult to make their monthly payments. To charge them higher insurance premiums is certainly not helping them solve their financial problems.

The fact that it is costlier and more difficult to be insured in poorer neighbourhoods will certainly promote neither an increased level of insurance in the neighbourhood nor its development or revitalization. Indeed, it should be considered that this difficulty in obtaining insurance applies necessarily to businesses as well, whose arrival in a neighbourhood is necessary to its revitalization.

Again in response to the OC study's finding, the same IBC representative stated: "Une personne désireuse de s'assurer va y parvenir. La prime sera peut-être plus élevée […] [mais cela] n'empêche pas une personne de s'assurer dans Hochelaga, et à un prix tout à fait correct."[101]

It should be noted that the IBC representative appears to consider higher premiums only as an assumption (*La prime sera <u>peut-être</u> plus élevée dans les quartiers défavorisés)* and that in any case she estimates that possibly the higher price that those neighbourhoods' residents will have to pay is "perfectly correct."

This leads us to the interpretation of the non-insurance problem as expressed by the IBC in its declarations, the polls it has commissioned, and its public communications. That interpretation can by summarized as follows: the price of insurance is not a significant factor in explaining non-insurance, the uninsured do not take steps to be insured, they don't find it useful because they have little property, or they are negligent; the proportion of uninsured who have been refused by insurers or confronted by excessive premiums is, according to the IBC, minimal.

The results of the two IBC polls (in 2000 of all Quebec and in 2002 of the population on the Island of Montreal) apparently support this viewpoint (Tables 16 and 17): according to the classification of the answers to these polls, 19 to 30% of the uninsured have faced either a refusal or excessive premiums (there is no "refused by the insurer" in the 2000 poll). The 2002 Montreal poll presented the uninsured as being "convinced of the soundness of their decision," since 89% of them had not taken steps to be insured in the previous year and 63% had "in any case never made any effort in that regard."[102]

[101] **HARVEY** Claire, op. cit. note 99.
[102] **BAROMÈTRE**, 2002, op. cit. note 84, p. 15.

TABLE 16
Reasons Given for not Being Insured
Baromètre Poll Conducted for the IBC – 2000

Q.3 Pour quelles raisons n'avez-vous pas d'assurance habitation ?

	Répondants qui n'ont pas d'assurance habitation (n=103)
Ne trouve pas que c'est essentiel	9 %
Ne vaut pas la peine	10 %
Ne possède pas beaucoup de biens de valeur	3 %
Raisons liées à la pertinence	**22 %**
Prime d'assurance trop dispendieuse	19 %
Raisons liées aux coûts	**19 %**
Je ne m'en suis pas occupé	7 %
Manque de temps	2 %
Je viens d'emménager	6 %
Raisons liées à la négligence	**15 %**
Je suis locataire	9 %
Réside plus souvent à l'extérieur du pays	3 %
Couvert par une autre assurance	4 %
Manque d'information	2 %
Autre	16 %
Ne sait pas	14 %

Taken from BAROMÈTRE, excerpts from "Le taux de détention d'une assurance habitation," Omnibaromètre of September 14, 2000, analysis report presented to the Insurance Bureau of Canada, Montreal, Quebec, September 2000, pp. 4-11.

TABLE 17
Reasons Given for not Being Insured
Baromètre Poll Conducted for the IBC on the Island of Montreal – 2002

Q.2 Pour quelles raisons vous n'avez pas d'assurance habitation? **(Réponses spontanées)**

- parmi les non assurés -

	Total *n=164* %
Primes d'assurance trop dispendieuses	29
Les compagnies/courtiers ont refusé de nous assurer	1
Sous-total « accès»	***30***
Ne trouve pas que c'est essentiel/indispensable	20
Ne possède pas beaucoup de biens de valeur	10
Ne vaut pas la peine	7
Sous-total « non désiré »	***37***
Par négligence/je ne m'en suis pas occupé	7
Je suis en appartement/je suis locataire	4
Je suis ici depuis peu/viens d'arriver	3
Sous-total « négligence »	***14***
Autres	11
NSP/PR	12

Taken from BAROMÈTRE, excerpts from “Accès à l'assurance habitation sur l'île de Montréal : Rapport final,” poll conducted for the Insurance Bureau of Canada, Montreal, Quebec, April 2002, p. 12.

The Gendron and Marceau study also supports – according to its own words – “the arguments made by the insurance industry.”[103] They maintain that a large majority (80%) of their respondents had not taken steps to be insured in the first year, 32% said they “do not need insurance” and only 6% said that premiums were too high. Still, the authors also mention that 33% of the uninsured said they lacked the means to get insured.

It appears difficult to accept those findings without scepticism. Indeed, there are questions about the methodology adopted to present the data and about the interpretation made of those data. For example, how can we explain the fact that the uninsured not having the means to get insured is treated separately, without discussion, from the respondents finding the price of insurance too high? How is the fact that the uninsured had not taken steps in the past 12 months relevant to the insurers' argument? Would the price of insurance have dropped suddenly, in the past 12 months, in disadvantaged neighbourhoods? Does the fact that an uninsured person is informed about the price of insurance otherwise than through steps he takes before the insurers have no value?

[103] **GENDRON** and **MARCEAU,** *op. cit. 85*, p. 479. Our translation.

Regarding the reasons given by respondents for not being insured, the methodology used appears reductive to us in not taking into account the possible multiplicity of motives for respondents not to be insured. The data from the IBC and from Gendron and Marceau are based on telephone polls. Asked about their situation, respondents gave an answer that was then recoded within one of the answer categories appearing in the results. Thus, each respondent's answer is stored within a single one of those categories, without allowing for an explanation that would reveal the existence and interaction of several motives.

A respondent for whom the causes are multiple is pushed into a single category deemed "the true" answer by the questionnaire administrator, on the basis, we might fear, of a prior interpretation of the issue. Those data therefore do not report the causes put forward by the respondent, but rather the pollster's interpretation of a cause assumed to be the sole one. Such a procedure inevitably leads to major omissions. For instance, the multiple-choice answer "I can't afford it," although chosen by 33% of non-insured respondents' answers in the Gendron and Marceau survey, and 26% of those in the BAIL survey, does not appear in the IBC surveys.[104] And yet, it is a particularly relevant multiple-choice answer, according to the number of respondents who chose this option: the link between the capacity to pay and the price of insurance seems evident.

There is every reason to think that the actual causes of non-insurance can be multiple and cumulative. We assume that this would particularly be the case for answers related to perceived need ("don't need," "not much good," or "don't think it's essential") and answers related to resources and to the cost of insurance ("can't afford it," "premiums are too high").

The decision to take out insurance results from a calculation of the relationship between the level of need perceived for such coverage (or the level of need to be insured) and its cost. Explaining the absence of insurance by saying that one does not need insurance, does not have a lot of property or finds premiums too expensive may well result from the same cost/benefit calculation. An uninsured person may well have been refused by some insurers and then have found that those that would have accepted him required too high a price to make it worthwhile for him to be insured. By admitting only one answer among a set of possible and mutually exclusive answers, the methodology used by Gendron and Marceau and by the IBC makes it impossible to understand the complexity of individual paths or of the thinking that may lead an individual to conclude that insurance is not worth the trouble.

Insurance agents are generally quick to emphasize the importance *for every individual* to be insured, whatever his situation. Given the consequences that a disaster might entail for an uninsured person, whatever his situation, it seems difficult to contradict that declaration. But it remains that the interest in – or at least the relevance of – being insured increases with the size of an individual's estate. In other words, with an equal level of information, the more valuable the property an individual has, the more its loss would be costly and the more it would be worthwhile to insure it.

Inversely, for an individual who has little or no income, and no estate, the decision not to insure what little he has may appear rational and informed; the value of premiums to pay for insurance coverage may indeed seem enormous compared to the small amounts he could likely claim to compensate him for his loss.

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[104] Ibid., p. 484. **CUSSON**, Denis, *op. cit.* note 89, p. 15.

Apart from the fact that owning little property of value generally corresponds to an absence of resources that would make it possible, in the event of a disaster, to replace even the essentials, what seems at first to be a well-informed decision does not take into account the aspect of civil liability coverage. While an uninsured person may eventually avoid having to pay an excessively high liability claim by declaring bankruptcy (with the losses and stigma that entails), a claim might also not be sufficiently high to justify bankruptcy and might thus lead to the obligation to pay amounts that would aggravate an already precarious financial situation.

We may think that a lot of people are ill informed about the cost of insurance, the risks they face, the costs and consequences of a disaster – notably with regard to civil liability. But it must be admitted that the more meagre an individual's income and estate, the more likely being poorly informed leads to the conclusion that insurance is not worth it: that it is not needed, not necessary, etc. In short, answers like “no need for insurance” or “I don't see its usefulness” cannot be invoked to state that there is no problem with non-insurance. Those answers likely mask something else.

It should be noted that this interpretation of non-insurance in terms of disinterest, non-perception of a need and negligence (with a residual explanation in terms of socio-economic conditions for the remaining part of the uninsured) puts the responsibility for the situation on the uninsured households – thus absolving from any responsibility the insurers, who evidently do not offer adapted products. However, for the reasons we have examined, a considerable part of the problem can be explained by economic reasons or, in other words, by a mismatch between insurance supply and demand – a mismatch for which disadvantaged households can certainly not be held responsible.

The IBC as well as Gendron and Marceau insist, for example, on the “large majority” of respondents who have not taken steps to be insured in the past year. The general argument would thus be confirmed: the non-insurance problem is thereby said to result more from the negligence of households than from the existence of any barrier to access. True, a household that already has difficulty making ends meet each month might very well find it desirable to take out home insurance. But knowing that there is already no margin of manoeuvre for acquiring home insurance, why take steps for a service of uncertain usefulness and benefit? Assuming that insurance prices will not have dropped dramatically in the past 12 months in disadvantaged neighbourhoods, we can understand that anyone who has obtained information before that period about insurance prices and has found them too high has not (re)taken steps toward the insurers. Similarly, a household that has difficulty making ends meet each month while restraining itself to living expenses will certainly not take steps to add expenses for protecting against an eventual disaster. To ascribe spontaneously to negligence the fact of not having taken recent steps to be insured, whereas this may in fact be an admission of powerlessness, appears to us a biased and reductive, if not irresponsible, conclusion.

3. OUR INVESTIGATION

On the basis of these findings and assumptions, we wanted to probe more deeply the nature and causes on non-insurance. Using the services of Léger Marketing, we interviewed households that are not covered by home insurance. Given the weaknesses detected in previous surveys, we adopted a methodology allowing for answers – without forcing them – that would make it possible to consider more than one cause of non-insurance.

The participants were recruited by Léger Marketing from its Web panel, which groups 200,000 panelists in Canada. We produced the interview's structure and a first version of the questionnaire, which were adapted afterward by Léger Marketing.

Léger Marketing then provided us with an analysis report (which the reader may consult in annex of the present report) and an accounting of answers to closed questions.

Our questionnaire contained 47 open and closed questions, for a semi-structured interview of 15 to 20 minutes. The questionnaire opened with a section on the experience (or absence thereof) with home insurance and on steps already taken to be insured. A series of questions – the heart of the interview – followed (see on the next page) on possible reasons why the respondent is uninsured. The questionnaire ended with 10 closed questions to draw a profile of our respondents, particularly regarding their housing situation. The closed questions aimed at providing encoded data, whereas open questions aimed at allowing respondents to express themselves and answer in their own words the interviewer's questions, which were nevertheless specific.

3.1 PROFILE OF RESPONDENTS

On housing occupancy: tenants residing mainly in Montreal

- Of our 30 interviewees, 29 are tenants. Over 75% (23/30) of the respondents live in an apartment (and 4 others in low-cost housing or a coop).
- Almost two thirds have been living in their current home for one to five years; only 4 for less than 1 year.
- The large majority of our participants come from low-income households: half have an income of less than $20,000, and 11 others from $20,000 to $39,999.
- The median age is between 46 and 54 years, but almost half of the respondents are over 55.

The uninsured are not ignorant about home insurance

- Over two thirds of our respondents (21/30) have already been insured in the past, including 10 in the past 5 years.
  - Half (15/30) have already taken steps to be insured, including 10 in the past 5 years.
  - Those steps were serious: 6 called upon the services of a broker, 6 requested quotes from insurance companies.
- Those steps generally did not bear fruit due to high costs, a move, or the insurance company's refusal.
- Of those who had never had home insurance, one third (3/9) have already taken steps to be insured. Of all the respondents, only 6 have neither taken steps nor been insured in their lives.

3.2 REASONS FOR BEING UNINSURED

The goal of our survey being to explore the reasons why people are uninsured, we designed the questionnaire so as to allow clearer explanations in the answers to questions specifically on this point. We asked our respondents to express themselves on a set of statements – the same ones as in the other studies – that might explain why they lack home insurance. We wanted to avoid forcing respondents to choose only one answer (while allowing them that possibility), and to avoid reinterpreting their explanation to insert it in one of our categories.

Accordingly, we gave the respondents the opportunity to express themselves about each of the causes invoked for not being insured, and only then did we ask them to identify what they thought was the main cause. The interviewers then had to question the participants about the meaning of their answers, particularly by using sub-questions, in order to be certain about the meaning of those first answers.

This method thus gives us access to three levels of answers to the same question. For example:

1- For each of the following (found in Table 18), please tell me if it's a reason why you have no home insurance.
2- Which of the reasons mentioned is most important?
3- Why do you say that… (for example: Why do you say that you "don't need insurance?" In what situation would you personally think you would need insurance or would find it useful?)

So first we have access to multiple and spontaneous answers, then to firm answers, and finally to explained and developed answers, thus ensuring that there is no misunderstanding of the meaning of the first answers. This approach aimed to enable us, as the case may be, to forge links between different ways of formulating a complex issue or to link various aspects of it.

It should be noted that only 2 interviewees said that only one of the reasons suggested sufficed to explain their situation.[105] Half the respondents identified at least three reasons. None invoked an "other" reason or answered that he did not know. Finally, as we will see, the explanations yielded indispensable clarifications for understanding the meaning and scope to ascribe to the answers.

[105] One answered that he could not afford it and the other said he had not had the time.

TABLE 18
Reasons Why the Respondent Is Uninsured
(more than one possible answer)

REASONS	NUMBER OF ANSWERS	%
You don't need it / You don't find it worthwhile	14	47%
You don't have much property, so few things to insure	19	63%
You can't afford it / It's too expensive for your financial situation	17	57%
The premiums charged by insurers are too high (given your housing situation or other reasons)	11	37%
You were refused by insurers / They refused to renew your coverage	3	10%
You haven't had time to see to it / You haven't seen to it	9	30%
You have no home insurance by choice, on principle	16	53%
Other reason / Don't know	0	0%

The reasons most often mentioned – by a majority of respondents (Table 19) – were: "not a lot of property," "can't afford it" and "by choice, on principle." At 14 respondents, the response option "don't need it / don't find it worthwhile" was chosen by almost half of respondents.

TABLE 19
The Most Important Reason Why the Respondent is Uninsured

REASONS	NUMBER OF ANSWERS	%
You don't need it / You don't find it worthwhile	3	10%
You don't have much property, so few things to insure	3	10%
You can't afford it / It's too expensive for your financial situation	7	23%
The premiums charged by insurers are too high (given your housing situation or other reasons)	6	20%
You were refused by insurers / They refused to renew your coverage	1	3%
You haven't had time to see to it / You haven't seen to it	7	23%
You have no home insurance by choice, on principle	3	10%
Other reason / Don't know	0	0%

As for the reasons deemed most important, the response options "can't afford it / too expensive," "haven't had time / didn't see to it" and "premiums (…) too high" are most often chosen. The answers that have – at first sight – no relation to financial issues ("haven't had time" and "on principle") are only one third of the most important reasons.

However, additional explanations show the meaning of these answers in a different light.

"Don't need it / don't find it worthwhile" answer: The majority of respondents who said they did not need insurance explained that they had too little property to insure. Of the 14 respondents who thought that "don't need it / don't find it useful" applied to them, 12, i.e., 85%, also chose "not a lot of property." The majority of respondents said they would take out insurance if they had more property or were homeowners. This tends to confirm the assumption that the "don't need" or "don't find it worthwhile" answers cannot be invoked to claim that the uninsured do not see the importance of being insured. Only a few individuals said that they did not perceive any risks (3) or that home insurance was not essential (2).

"By choice, on principle" answer: The relatively high score obtained by this option is very interesting, because when the respondents were prompted to explain this response option, none mentioned a position of principle (for example, against the insurance industry[106]). The fundamental reasons for this response option was rather that "it's too expensive" and that they "can't afford it." Several respondents (5) also indicated that they have too little property of value to be insured.[107] In other words, the respondents' response option is not here a choice in the sense of a simple "preference," but rather the result of a rational assessment of the interest in being insured given the price of insurance, their resource and the estate they have to be insured.

"Don't have time / Didn't see to it" answer: Of the 9 respondents who said they did not have time or did not see to it, 8 said they planned to take steps in the future. Only one "didn't see to it" because he simply did not see the need. It is therefore false to claim, as did the IBC poll report, that the uninsured are "convinced of the soundness of their decision."[108]

"Can't afford it / It's too expensive" answer: A majority of those who chose this answer (11/17) specified that insurance was too expensive because of their financial situation, while the others estimated that home insurance was too expensive to make them "need it" or to make it "worthwhile."

"Premiums (…) too high" answer: Only 2 respondents (out of 11) who gave this reason had not taken steps to be insured. The 9 other respondents had taken various steps to be insured.

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[106] However, some expressed distrust toward this industry by mentioning that "insurance companies don't want to pay when a problem occurs."
[107] It is interesting to note the other reasons given by a few respondents: they do not find it useful; the needs and priorities have changed (chose to meet other, more-urgent needs); insurance companies don't want to pay when a problem occurs; the value of goods is overvalued (so premiums are too expensive), "those premiums have to be paid."
[108] **BAROMÈTRE**, 2002, op. cit. note 84, p. 15.

TABLE 20
Main Reason for not Being Insured (Only One per Respondent)
Breakdown by Income

REASON	INCOME	Total
Was refused	$20,000-$39,999	1
Not much property	$19,999 or less	3
By choice, on principle	$20,000-$39,999	3
No need/Not worthwhile	$20,000-$39,999	2
	$40,000-$59,999	1
No time/Didn't see to it	$19,999 or less	2
	$20,000-$39,999	2
	$40,000-$59,999	2
	No answer	1
Can't afford it/Too expensive	$19,999 or less	6
	$20,000-$39,999	1
Premiums too high	$19,999 or less	4
	$20,000-$39,999	2
Total		30

Breaking down the answers by income bracket (Table 20), we observe that two thirds of the 15 participants with an income lower than $20,000 invoked one of the two answers that pertained directly to the price of insurance and to their means (6 for "can't afford it" and 4 for "premiums too high"). 3 of the 5 remaining respondents in this income bracket said they had too little property to make it worthwhile for them to be insured. In short, for 13 of our 15 respondents with an income lower than $20,000, the mismatch between the insurance offer and their resources was the main reason why they were uninsured.

Finally, regarding the usefulness and notoriety of insurance:

- A large majority of our respondents estimate that home insurance is very useful (12/30) or somewhat useful (13/30).[109]
- 14 respondents say they were worried about the possibility of losing their property in a disaster.
- Over two thirds (23) of respondents know about the aspect of civil liability coverage in home insurance. 25 respondents said they thought it preferable to be protected by such coverage.
- 4 of the 5 respondents who did not find it preferable to have civil liability coverage already know about this aspect, while 6 of the 7 respondents who did not know about it said that they thought it preferable to have civil liability insurance.

These results match those of studies conducted in England and Scotland.[110] Those studies had concluded that very-low-income households were twice as likely as middle-income households to be uninsured, but that despite a certain income gradation, the importance of having home insurance was recognized as much among low-income as very-low-income households.

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[109] Four answered that home insurance is of little or no use.
[110] **LYNDSAY**, Kate, "Financial inclusion: access to insurance," SPIU Briefings No. 3, Scottish Poverty Information Unit, Glasgow, March 2010, 4 pages.
BLAKE, Simon, DE JONG, Esther, *Short Changed: Financial Exclusion: A Guide For Donors And Funders*, New Philanthropy Capital, London, 2008.

4. REVIEW OF POSSIBLE MEASURES AND INTERVENTIONS TO IMPROVE ACCESS TO INSURANCE

We have already discussed mechanisms of access to auto insurance that exist in Canada, as well as the IBC's mechanism of access to home insurance (see **Insurance Access Mechanisms in Canada** in Chapter 2). This section presents other measures, programs and interventions that exist or are proposed elsewhere to increase the accessibility or improve the operation of the home insurance market. Although we focus on home insurance, we also report when necessary a few aspects of auto insurance.

4.1 ACCESS TO INSURANCE IN THE UNITED STATES

In the sixties, in the United States, the fight for civil rights moved to the field of insurance when it became evident that blacks and their neighbourhoods were discriminated against by insurers. Insurance companies charged higher premiums or refused outright to insure residents in some "black" neighbourhoods. This practice was known as "redlining," after the practice of circling with a red line, on a map, neighbourhoods deemed problematic and refused insurance by the companies.[111]

In 1968, the United States Congress adopted the *Urban Property Protection and Reinsurance Act* authorizing the federal government to support the establishment of the FAIR plan ("Fair Access to Insurance Requirements") in the states.[112] The FAIR plans are minimal and last-recourse insurance programs available to owners of at-risk areas unable to obtain coverage on the regular market. State insurers are grouped in an organization that administers the plan and then they share costs and benefits. The federal government's involvement consisted of making available to participating companies a reinsurance against riots,[113] thereby reducing the risk to which they were exposed.

Today, 32 states and the District of Columbia have a FAIR plan in one form or another. The implementation varies a lot from one state to another, according to access criteria, type of coverage offered, risk-sharing terms, etc.[114]

In a review of the various programs of access to auto and home insurance that exist in the United States, the *Insurance Information Institute* also mentions "Joint Underwriting Associations" (JUA).[115] The purpose of those associations is similar to that of the risk-sharing plan that exists in auto insurance in Canada, in that a risk-sharing pool is created that insurers

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[111] **SQUIRES** Gregory D., "Racial Profiling*,* Insurance Style*:* Insurance Redlining and the Uneven Development of Metropolitan Areas," *Journal of Urban Affairs*, Newark, Delaware, Volume 25, No. 4, November 2003, pp. 391-410.
[112] **POULIN**, Stéphanie, op. cit. note 95, p. 17.
[113] Among other things, urban race riots had led insurance companies to refuse to provide insurance in American inner cities.
[114] **INSURANCE INFORMATION INSTITUTE**, "Residual Markets," The Topic, Insurance Information Institute, New York, United States, June 2010, [online] http://www.iii.org/media/hottopics/insurance/residual/ (page consulted on April 12, 2010).
[115] Ibid.

still continue to administer, and that transfers into the shared pool the risks they underwrite under the JUAs. The latter are also used in home insurance, although to a lesser extent than in auto insurance.

Several Gulf of Mexico and Atlantic coastal states have also established a similar risk-sharing plan (called Beach or Windstorm Plan).

Several states subsidize FAIR plans in order to reduce prices compared to what they would be according to "real" actuarial parameters.[116] Other states simply have insurers bear the costs, which are then transferred to customers in the regular market – some states even allow insurers to indicate on invoices the surcharge due to FAIR plan funding. Some states, though, prohibit this transfer of costs.

As for the regulation of the auto or home insurance business, the information compiled by the *Insurance information Institute* reveals that insurance refusal or non-renewal criteria are quite regulated, but that those used for determining rates and premiums are much less so.[117]

Thus, no American state allows insurers to refuse a customer or terminate a policy on the sole basis of geographic location, but – with one exception – insurers are free to consider geography in determining the premium. For example, Minnesota prohibits insurance companies from "charging a different rate for a property […] because of its geographic location," and "also prohibits the insurer to charge a different rate according to the postal codes used within designated cities."[118] Minnesota has also prohibited taking into account the age of buildings to refuse insurance or renewal of a risk, or in setting rates, while the state allows other building characteristics to be taken into account, such as plumbing age, electrical system, heating, etc.[119]

Among other means taken in the United States to increase homeowner access to home insurance, some insurance companies, as part of programs to reach the problematic clientele ("outreach program"), have reportedly worked to increase the number of brokers in neighbourhoods where access to insurance was a problem.[120] In some states, such as Florida and Texas,[121] "market assistance programs" have been established to help consumers who have trouble finding an insurer agreeing to accept them.

As opposed to measures that have social objectives (of integration, countering social exclusion and vulnerability), the various American programs of access to insurance aim mainly to facilitate access to property, as a symbol of respectability and "minimal" social success in the United States.[122] The programs are intended for persons who want to become homeowners and for

[116] Ibid.
[117] Ibid.
[118] **POULIN**, Stéphanie, op. cit. note 95, p. 19. Our translation.
[119] Ibid., p. 19.
[120] **INSURANCE INFORMATION INSTITUTE**, "Urban insurance," The Topic, Insurance Information Institute, New York, United States, June 2010, [online] http://www.iii.org/media/hottopics/insurance/urban/ (page consulted on April 13, 2010).
[121] Ibid.
FLORIDA MARKET ASSISTANCE PLAN, website of the Florida Market Assistance Plan, no location, no date, [online] http://www.fmap.org/ (page consulted on April 4, 2010).
[122] **SQUIRES**, Gregory. D., **O'CONNOR**, Sally & **SILVER**, Josh, "The unavailability of information on insurance unavailability: Insurance redlining and the absence of geocoded disclosure data," *Housing Policy Debate*, Alexandria, Virginia, volume 12, No. 2, 2001, p. 349.

whom the inability to find an insurer constitutes an obstacle to owning a home. These programs are thus not available to tenants.

4.2 INSURANCE AND ACCESS IN FRANCE

Auto insurance is mandatory in France for civil liability coverage, i.e., damage caused to third parties and passengers. It must cover the vehicle owner, anyone who keeps or drives the vehicle – even if he is not authorized to do so – and passengers. Civil liability auto insurance must be taken out without monetary limitation as to bodily injury and for a minimum of 460,000 euros per vehicle and material damage.

“If a driver is refused by several insurance companies, he may call upon the Bureau central de tarification, which will take charge of finding him insurance.”[123] The Bureau has the exclusive role of setting the premium for which the insurance company designated by the taxpayer is bound to guarantee the risk proposed to it.[124]

A person who is refused access to auto insurance may thus consult the Bureau and indicate the insurer with which he would like to take out insurance. The Bureau then determines the terms of the contract with regard to mandatory guarantees. The Bureau has no jurisdiction over supplementary guarantees such as vehicle damage, theft or the driver’s personal guarantee.[125]

Home insurance is mandatory in France for tenants – but not for homeowners. “Given the lease contracted between the tenant and the owner, the tenant is responsible for damage he causes to the property during the rental period.”[126] A landlord is entitled to terminate the lease if the tenant has no protection against risks of fire, explosion and water damage.[127] The system reminds us of the minimum coverage obligation in civil liability auto insurance in Canada. However, Multi-Risque Habitation (MRH) insurance – property damage insurance and civil liability insurance – is very popular in France. It seems very important to French households; 95% of households have obtained it.[128] Given the increase in demand, the Institut national de la statistique et des études économiques (INSEE) has decided to monitor MHR insurance prices and thus its accessibility to French households.

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[123] **WIKIPEDIA,** “Assurance automobile en France,” Wiki*pedia: the free encyclopedia*, no location, latest modification: March 26, 2010, [online] http://fr.wikipedia.org/wiki/Assurance_automobile_en_France (page consulted on June 1, 2010). Our translation.

[124] **BUREAU CENTRAL DE TARIFICATION,** website of the Bureau central de tarification, Paris, France, [online] http://www.bureaucentraldetarification.com.fr/BCTINDEX (page consulted on June 1, 2010).

[125] Ibid. **WIKIPEDIA**, op. cit. note 123.

[126] **SECRÉTARIAT DU COMITÉ CONSULTATIF DU SECTEUR FINANCIER (SCCSF),** *Rapport annuel du CCSF 2008-2009*, Comité Consultatif du Secteur Financier, Paris, France, 2009, p. 98 [online] http://www.banque-france.fr/ccsf/fr/telechar/publications/rapport_annuel_2008_2009/CCSF_2008-09_rapport_integral.pdf (page consulted on June 1, 2010). **WIKIPEDIA,** ibid. Our translation.

[127] **WIKIPEDIA**, ibid., **SERVICE-PUBLIC.FR,** “Assurance du locataire: assurance obligatoire,” Service-Public.Fr, the official website of the French administration, Paris, France, [online] http://vosdroits.service-public.fr/F1349.xhtml (page consulted on June 1, 2010).
FÉDÉRATION FRANÇAISE DES SOCIÉTÉS D’ASSURANCES, “Questions-Réponses : Mon logement étudiant est-il bien assuré ?,” FFSA : le site d’information de l’assurance, Paris, France, July 29, 2007, [online] http://www.ffsa.fr/ffsa/jcms/c_53962/mon-logement-etudiant-est-il-bien-assure?cc=fn_7305 (page consulted on June 1, 2010).

[128] **SCCSF**, Op. cit. note 126, p. 154.

MRH insurance includes basic coverage against fires and explosions, and generally several types of damage coverage, for example against water damage, theft and vandalism, riots, etc. Civil liability is normally part of the plan. In taking out one or more types of damage coverage, the insured household is obliged to obtain the following coverage: against natural disasters, storms-snow-frost, technological disasters, acts of terrorism, and assaults. It should be noted that the portion of MRH policies that covers those risks is set by government. This is because such coverage benefits from the reinsurance offered by the Caisse centrale de réassurance (public organization) as part of the specific plan to compensate for natural disasters.[129]

Should a household be refused access to MHR insurance, there is no official mechanism guaranteeing access to it. Home insurance is not covered by the Bureau central de tarification.[130] If a consumer is incapable of finding home insurance, he is advised to approach an insurance agent or a broker. It is assumed that competition will suffice for the latter to find an insurer accepting the new application.

If the policy is terminated by the insurance company, the consumer may eventually turn to the mediator of the company or the professional organization to which it belongs.

> *"Enfin, il convient de souligner le cas particulier de la résiliation intervenue à la suite d'un défaut de paiement de l'assuré qui aurait connu des difficultés financières passagères. Le dialogue entre l'assuré et son assureur aboutit généralement à des solutions amiables qui évitent la résiliation ou à l'octroi d'une nouvelle couverture par l'assureur après paiement des primes dues."*[131]

Therefore, to our knowledge there are no programs facilitating access to home insurance in France.

4.3 ACCESS TO HOME INSURANCE IN THE UNITED KINGDOM

According to data from the United Kingdom's Cabinet Office,[132] 93% of homeowners are insured. This proportion falls to 85% when we consider the least fortunate homeowners (those in the 10th decile). Those data also tell us that 75% of British households have damage insurance for property insured inside the building, but that about 50% of households in the least fortunate decile have damage insurance. Half of the uninsured have been insured in the past.[133]

So there appears to be an attrition of home insurance in the United Kingdom. Without focusing only on home insurance, the Kempson and Whyley (1999) study notes that a withdrawal of individuals from financial services generally follows a major loss of income, such as job loss,

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[129] Ibid., p. 99.

[130] **BUREAU CENTRAL DE TARIFICATION,** op. cit. note 124. **WIKIPEDIA**, op. cit. note 123.

[131] **ERICRG**, *"Multirisque habitation : refus d'assurance,"* Droit-Finances.Net, Paris, France, December 9, 2008, [online] http://droit-finances.commentcamarche.net/faq/1926-multirisque-habitation-refus-d-assurance (page consulted on June 2, 2010).

[132] **CABINET OFFICE,** "Dealing with Insurance Issues," U.K. Resilience, website of the Cabinet Office, London, United Kingdom, May 17, 2010, [online] http://www.cabinetoffice.gov.uk/ukresilience/response/recovery_guidance/infrastructure_issues/insurance_issues.aspx (page consulted on June 2, 2010).

[133] **KEMPSON,** Elaine and Claire **WHYLEY**, *Kept out or opt out? Understanding and combating financial exclusion*, Joseph Rowntree Foundation, London, United Kingdom, p. 18.

retirement, disability or spousal separation. The most common reasons for this withdrawal are the prohibitive costs of premiums,[134] what the authors call “price exclusion.” This is confirmed by a recent study conducted by the Association of British Insurers and titled *Financial Inclusion and Insurance: meeting low-income consumers'' needs*, which states that over 60% of households that have no insurance say that budget constraints are the cause.[135]

A second cause is constituted by the practices imposed on households with financial difficulties, which make property and home insurance practically inaccessible. The authors call this “condition exclusion.” For instance, direct debit from an insured person’s account cannot guarantee the availability of cash necessary to pay the premium when the amounts are scheduled to be debited from his bank account; any default of payment may cause the policy to be terminated. While the lack of monetary resources is one component of the problem, the rigidity of payment methods offered by insurance companies is another. Discussion groups on the subject have revealed that many such households would prefer the premiums to be deducted directly from their employment income, because it is difficult for them to accumulate the necessary amounts to make monthly payments that do not match their budget cycles or cash inflows.[136]

Finally, there is “marketing exclusion,”[137] as Kempson and Whyley note, while indicating that 64% of households that do not receive financial services do not receive offers to that effect, compared with only 20% of households that use financial services. And yet, property and home insurance is one of the financial services of which the least fortunate would most want to benefit: over one household out of six without home insurance has been a victim of burglary. But those households do not have the financial means to obtain insurance, because insurance premiums are higher in neighbourhoods where both crime and poverty are concentrated.[138]

Moreover, those burglarized households have most often been dispossessed of goods necessary to their daily operation, rather than of luxury goods, and cannot afford to replace them, which makes their situation even more precarious. The British insurers’ study indicates that almost 25% of low-income households who have been burglarized could not replace the stolen or damaged goods.[139] So it is not surprising that property and home insurance is the most in demand by low-income households.[140] However, the study conducted by the Association of British Insurers reports that only 44% of low-income households have home insurance, whereas 80% of households with near average income have it.

Among the ways considered to mitigate the problems raised, Kempson and Whyley advocate the dismantling, at least partially, of insured product “bundles” offered by insurance companies; this would lower the price of insurance, but also the coverage, for example the option to exclude the “reinstatement” clause.

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[134] Ibid., p. 25.
[135] **ASSOCIATION OF BRITISH INSURERS**, *Financial inclusion and insurance: meeting low-income consumers’ needs. A quantitative study into low-income consumers demand for insurance and their experience in accessing insurance*, ABI research Department, Market study No. 3, London, United Kingdom, 2007, p. 16.
[136] Ibid.
[137] **KEMPSON,** Elaine and Claire **WHYLEY**, op. cit., note 133, p. 25.
[138] Ibid.
[139] **ASSOCIATION OF BRITISH INSURERS,** op. cit., note 135, p. 4.
[140] Ibid. p. 13.

In response to this conception that the deficit in home insurance coverage is a facet of financial exclusion, the British government has established a program to offer home insurance paid with the rent ("insurance with rent").[141] Those insurance plans are available only to social housing tenants. The purpose of this type of measure is to offer insurance products more suitable (lower insurable value and competitive price) for the needs of low-income households and to facilitate access to those products by simplifying enrollment and premium-payment operations. This type of solution rests on the assumption that the problem of access results particularly from the complexity and evolution of enrollment and payment methods and from literacy and computer illiteracy problems among certain disadvantaged clienteles. However, the success of this type of measure is reportedly quite modest, since the enrollment rate remains very low.[142]

In addition to government action, the Association of British Insurers has adopted an inclusion plan that notably involves the production of fact sheets featuring all existing insurance products, support to insurers funding research into insurance access and inclusion, the production of information and advice about ways of preventing risks and finding insurance suited to one's needs. The Association of British Insurers works jointly with tenant associations and local authorities to increase enrollment in insurance plans paid with the rent and to explore various ways of making insurance more accessible and less expensive.

4.4 A COMPENSATION FUND FOR QUEBEC

In its brief titled *Améliorer le revenu des personnes et des familles… Le choix d'un meilleur avenir*, the Advisory Committee on the Prevention of Poverty and Social Exclusion recently proposed the "creation of a compensation fund to cover the losses of poor people in the event of disaster and thus to meet the need for home insurance."[143] Citing major fires that erupt regularly and throw on the street dozens of low-income people, most of whom are uninsured, the Advisory Committee deems it necessary to protect those households for which "the prices charged by insurance companies […] are often prohibitive." Those people reside in at-risk areas (downtown, rural areas far from fire stations) and are often considered defaulters.

To include in financial support to low-income people an amount to enable them to take out insurance "would be costly and would represent a form of transfer to insurance companies." The Advisory Committee therefore estimates that it would be more efficient, less expensive and preferable to compensate disaster victims directly. Individuals and families whose disposable income is lower than the benchmark of the Market Basket Measure would be eligible for compensation from this fund. The Advisory Committee members want to "associate insurance companies with the funding of this compensation fund," which could represent their contribution

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[141] **LYNDSAY,** Kate, *op. cit.,* note 110.
[142] **HOOD**, John, **STEIN**, William and Claire **MCCANN**, "Insurance with Rent Schemes: An Empirical Study of Market Provision and Consumer Demand," *The Geneva Papers*, Palgrave Macmillan, Geneva, Switzerland, Volume 30, Number 2, April 2005, pp. 223-243.
[143] **ADVISORY COMMITTEE ON THE PREVENTION OF POVERTY AND SOCIAL EXCLUSION (CCLCPES)**, Améliorer le revenu des personnes et des familles... le choix d'un meilleur avenir. *Les cibles d'amélioration du revenu des personnes et des familles, les meilleurs moyens de les atteindre ainsi que le soutien financier minimal,* Advisory Committee on the Prevention of Poverty and Social Exclusion, Government of Quebec, Quebec City, Quebec, March 12, 2009, p. 27-28. Our translation.

to the fight against poverty and social exclusion, given that their pricing practices "suggest that they don't really want to insure low-income people."[144]

4.5 MAKING THE INSURANCE MARKET MORE TRANSPARENT BY USING GEOCODED DATA

A last possible type of intervention in the insurance market deserves mention. It does not aim directly to increase access to insurance, but promotes more-adequate market operation by requiring greater transparency from insurers. Currently, when insurers state that there are more thefts and fires in Hochelaga-Maisonneuve than in Rosemont, or that they have reached their quota, consumers – and legislatures – are forced to take the insurers at their word.

According to an exhaustive investigation conducted by Squires, O'connor and Silver among all insurance regulators in the United States, eight states (California, Illinois, Maryland, Massachusetts, Minnesota, Missouri, Texas and Wisconsin) require that insurers doing business on their territories make some of their geocoded business data available.[145] The nature of the data collected, and their availability, varies from one state to another.

Depending on the state, data are required of all insurers or only the most important ones, and are made available to the public – or only to the regulator – per company or aggregated for the industry as a whole. Some states require data on the number of policies in effect, the number of applications, and the number of refusals. Finally, and especially, the majority of states require data on the value of premiums and losses. The feature common to all these states is that, as opposed to data required of Quebec auto insurers as part of the Automobile Statistical Plan (data only available by administrative region),[146] these data are coded geographically according to postal codes.

This type of practice has emerged following debates about redlining. While it is amply recognized that it is easier to obtain insurance in some neighbourhoods than others, many debates persist on the cause of this phenomenon and on possible solutions.

> *"Many industry critics point to arbitrary redlining and racial discrimination as a major cause […] Others point to the heightened risk associated with many urban communities in terms of greater frequency of fire, theft, and other factors that create compensable losses."*[147]

In the first case, either a coercive intervention toward insurers or compensation measures by governments is required, and in the other case, risk mitigation and consumer education strategies are advocated.

Geocoded data are beneficial to consumers as well as insurers and governments. The data are used for identifying areas where the level of insurance is lower, along with the factors explaining

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[144] **CCLCPES**, *Une cible à atteindre pour le bien de tous : Une cible atteignable si l'on s'y met tous,* Advisory Committee on the Prevention of Poverty and Social Exclusion, Government of Quebec, Quebec City, Quebec, December 21, 2009, p. 25.
[145] **SQUIRES, O'CONNOR,** and **SILVER,** Op. cit., note 122, p. 349.
[146] See the part on the AMF and auto insurance regulations in Quebec.
[147] **SQUIRES, O'CONNOR,** and **SILVER,** Op. cit., note 122, p. 349.

this situation, and for following market developments. The identification of problematic areas can enable the authorities or community groups to identify locations where interventions, assistance and support are most urgent. The availability of premium and loss data makes it possible to verify whether, as the insurers maintain, the higher costs found in some areas are in fact justified by higher loss rates. Generally, these data are used for assessing industry performance and determining whether certain clienteles are penalized.

These data and this type of verification increase competition by identifying areas neglected by the market; insurance products and suitable practices could be proposed for those areas. Available geocoded data available to the entire industry can thus enable insurers to identify business opportunities as well as compare the effectiveness of their pricing practices.[148] Regulatory bodies, if they find that certain areas are charged rates not justified by the incidence of disasters or any other anomaly, can then intervene accordingly. Finally, all the stakeholders, including community groups, can put in place targeted initiatives involving insurance promotion and information in order to raise the level of insurance in problematic sectors.

[148] Ibid., p. 348.

5 THE INDUSTRY'S POSITION AND POINT OF VIEW

To obtain their reactions to our investigation's data, as well as their viewpoint on the problem of accessibility, we sent to the IBC and to the representatives of four general insurance companies (SSQ, La Capitale, Industrial Alliance and Desjardins) the entire report produced by Léger Marketing following the interviews, along with our review of the literature and our critique of the IBC's interpretation. Only the IBC and Desjardins sent us their comments.

According to Desjardins, two main reasons explain that "a certain proportion" of tenants are not insured: limited financial resources and the "difficulty in concretely assessing the advantages of being insured." Thus, there would be two categories of uninsured tenants: people who have no financial margin of manoeuvre, who can only acquire the bare necessities and for whom the perceived value of insurance protection is not part of their decision; and people who "possibly" would have the means to obtain home insurance, but who "probably" base their decision on the ratio they establish between the cost and the advantages of being insured, "i.e., they estimate that the premium is too high for the advantages of being insured."

Desjardins' main conclusion is thus that "the establishment of the 'cost/benefit ratio' is key to having a greater proportion of tenants to obtain insurance." The Quebec institution suggests that an awareness campaign would likely influence people's perception of the cost/benefit ratio of insurance, and even suggests themes that might be addressed in such a campaign: the real cost of insurance coverage for a tenant, the importance of assessing the value of property according to their replacement cost in the event of a disaster, civil liability (notably, raising awareness of the fact that one can be sued for amounts not justifying bankruptcy), the importance of living expenses after a disaster (relocation, food, etc.).

As for the IBC, the short letter sent to us by its director of member services and public and government affairs, Jack H. Chadirdjian, essentially reiterates the organization's traditional position. Regarding our investigation with semi-structured interviews, he writes: "It confirms known facts, such as the link between a tenant's socio-economic condition and his holding a home insurance policy; between the absence of steps taken to be insured and the perception of high cost."

Mr. Chadirdjian then restates his organization's conviction: "We're convinced that a tenant who wants to be insured can find suitable insurance on the Quebec market." At the same time, giving as evidence "the home insurance access mechanism," he emphasizes that "access to auto or home insurance remains one of our concerns."

CONCLUSIONS

General insurance (home and automobile) is offered to ensure financial security in case of fire, theft, accident or lawsuit and to guarantee peace of mind. Home insurance, particularly, is an essential and indispensable component of a household's financial security. Given the substantial part of the family budget that insurance premiums can represent for low-income households, we wanted to see whether all Canadians had access to automobile and home insurance suited to their needs.

Drivers in all provinces are obliged to be covered by minimal civil liability insurance. In exchange, where a public corporation does not guarantee universal access, the law requires that insurers establish a mechanism to enable every driver to find an insurer. Canadians do not have the right to expose themselves or others to the financial risks of an automobile accident; all drivers must have minimal civil liability coverage. No insurance, no driving. Nothing indicates that this obligation to be insured or the related cost prevents a lot of people from driving.

As financial institutions, insurance companies face a certain number of requirements to guarantee their financial soundness. However, in auto insurance, underwriting (under which a customer is accepted or refused) and pricing (under which premiums are set) criteria are less well regulated, if at all. Several North American jurisdictions, including Ontario, Alberta and New Brunswick, impose limits to the criteria that may be used for accepting or refusing a customer, or even to those that may be used in pricing. In Quebec, insurers are entirely free to use the characteristics and criteria of their choice, for underwriting as well as pricing.

With regard to automobile insurance, insurers face a greater requirement of transparency than in other insurance sectors. Indeed, they must provide the regulatory authorities with a set of more-important data, which the regulatory authorities use in monitoring the market. In Quebec, for example, the Autorité des marchés financiers (AMF) must produce an annual report on those data in order to assess the pricing of automobile insurers in Quebec. Quebec insurers must also advise the AMF of any change to their pricing manual, in addition to submitting the latter to the regulatory body that makes it available to the public.

In home insurance, there is no such thing. General insurance companies provide the regulatory authority with data on their financial stability, but with nothing that can be used for assessing their pricing practices.

Everywhere in Canada, legislatures thus appear to have chosen the free market in general insurance. Insurers are free to use the underwriting and pricing criteria of their choice without anyone monitoring or verifying the soundness of those practices. Geocoded data would enable this, in addition to making it possible to measure the effect of those same practices on the most disadvantaged populations. In fact, only the governments of Alberta and New Brunswick have kept (in the former case) or acquired the power to intervene in those practices.

If at first sight the insurance market seems competitive, our overview of the revenues of Canadian general insurance companies leads to the conclusion that insurers' profits are more than respectable; they are considerable. The case of Quebec's auto insurance industry shows that, while average premiums have decreased in the last few years, the profit margins of insurers have grown so much that premiums would, in a truly balanced market, have dropped much more. The AMF, with its estimates of investment income that undervalue its value by at least 10%, appears somewhat complacent regarding the situation.

Moreover, average premiums, on which the IBC and the AMF constantly fall back to claim there is no auto insurance problem in Quebec, may not be the only or the best indicator of cost behaviour on the market. Some customers may be particularly penalized by large increases while other benefit from decreases. Just as income distribution is measured, perhaps premium distribution should be measured more attentively, using medians or quintiles. An average premium will only represent an insignificant expenditure item for a high-income household; it may impose an insurmountable obstacle for a low-income household. It is therefore all the more important to know more accurately how the behaviour of premiums affects the various income classes.

As mentioned above, home insurance is an essential factor for the peace of mind and financial security of households. And yet, according to our review of available data and studies, about 20% of Canadians do not have home insurance. Homeowners are massively more covered than tenants, in good part due to mortgage lenders' requirement that the homes whose purchase they finance be insured. However, despite having the lowest proportion of homeowner households in Canada, Quebec has the highest level of insured. Newfoundland and Labrador, with the highest proportion of homeowner households, is last in the level of insured, and British Columbia second-to-last. Alberta, with one of the highest proportions of homeowner households, has the second-highest level of insured.

While the meaning of this type of data can be debated, an examination of the other available studies and data – with non-insurance estimated at between 11% and 17% for Quebec and at about 20% for Canada – confirms that the problem is not negligible. This situation is all the more worrisome because the problem is not distributed randomly among the population. All the studies demonstrate that the uninsured are essentially tenants and low-income households. It also seems clear that the problem affects more-disadvantaged urban sectors to a greater extent, where people have less disposable income. But the logic put forward by insurers – that leads to charging a premium according to the estimated risk, while creating, at times on the basis of criteria that are highly questionable, ever-more-restricted categories – has the unfortunate consequence that those living in sectors where premiums are highest are the very people who have the least means to pay a high premium.

Our investigation has confirmed that the problem of home non-insurance is essentially explained by a mismatch between the market offer and the resources of uninsured households. Low-income households tend to find insurance premiums too expensive. Many estimate that they have too little property to make insurance worthwhile. It should be recognized that, if those people were adequately informed of the risks they run, particularly in having no civil liability coverage, and if they were offered minimal coverage suited to their needs and resources, many would certainly reassess their needs. An information campaign on civil liability coverage could help dissipate the idea that home insurance is useful only to those who own property of a certain value.

However, insurers remain passive toward this problem and appear uninterested in examining it, while denying it or blaming it entirely on the carelessness or even negligence of consumers. Few answered the invitation we sent them to comment on our findings, and those who did so stated that access to home insurance "remains one of our preoccupations" before quickly negating the problem or blaming it on the irresponsibility of the uninsured.

We may ask whether this lack of interest is due to the simple fact that low-income households would be a clientele whose low premiums would not generate sufficient revenues to make it worthwhile to insure them. Given that a major part of insurers' profits is made on the financial markets, richer clients likely guarantee more-stable cash flows, with higher premiums and less claims (although those claims may well be considerably higher).

That may explain the lack of effort to reach consumers from disadvantaged neighbourhoods. This disengagement of the authorities and insurers appears widespread across the world: there are very few mechanisms favouring access to home insurance. However, in the United States, insurers have established outreach programs among consumers in disadvantaged sectors. It would likely be quite easy to reproduce this type of measure here in Canada. The data of insurers or telephone polls could be used for targeting areas where the level of coverage is lowest, in order to deploy means to reach the uninsured.

Since the price of insurance appears, whatever is said, too high for low-income households, given the conjunction of two factors – higher premiums and insufficient income –, access mechanisms should of course be combined with an adapted and affordable product. We also think it appropriate to question the relevance of continuing to use criteria related to the personality of the insured, while alternatives exist that better correspond to the fundamental values upheld by our charters of rights.

Using auto insurance as a model, other American states have imposed transparency on home insurance suppliers. By requiring that the latter provide geocoded data, the regulators of eight American states can monitor this highly important market more effectively.

RECOMMENDATIONS

- Whereas home insurance is fundamental to the peace of mind and financial security of Canadians;
- Whereas about 20% of the Canadian population is not covered by home insurance and is thus vulnerable to the consequences of a disaster or a civil liability lawsuit;
- Whereas most uninsured households are among the most disadvantaged and already the most vulnerable ones;
- Whereas the insurance industry makes considerable profits;
- Whereas the home insurance market lacks transparency;
- Whereas making insurers' data (premiums, losses, number of policies underwritten, frequency of claims, number of refusals, etc.) available in geocoded format (distributed by postal code, for example) would make it possible to verify the claim of insurers that the level of premiums is always essentially guided by that of disasters;
- Whereas such geocoded data would make it possible to identify the least-insured areas, and therefore those requiring priority interventions by the authorities;
- Whereas the identification of poorly insured areas should normally, in a competitive market, offer as many business opportunities for insurers wanting to increase their market share;
- Whereas such geocoded data would make it possible to measure the impact of insurance companies' pricing and underwriting policies on the various disadvantaged populations;

Union des consommateurs recommends:

1. that governments require home insurance providers to report their activities by supplying regulatory authorities with geocoded data on their activities;
2. that governments urge insurers to make greater efforts to reach and inform the most disadvantaged and least insured households about the risks and consequences of not being covered;
3. that governments examine more the consequences for low incomes of a risk pricing method that penalizes the poor to a greater extent.

- Whereas it is important for all consumers to be covered by home insurance;
- Whereas low-income households do not have sufficient resources to pay premiums that insurers would charge them;
- Whereas non-insurance entails economic and social costs for the entire population;
- Whereas insurers do not offer adapted products to low-income households;
- Whereas higher premiums charged to low-income households result from risk segmentation practices that cause a certain demutualization of risk;

Union des consommateurs recommends:

4. that provincial governments establish an adapted home insurance program for low-income households, whether they are homeowners or tenants;
5. that the costs of such programs be borne by insurance providers.

To that effect, governments could consider charging insurers a tax on their profits, which likely would only lead to a certain remutualization of risk, since insurers would probably pass on those additional costs to the existing clientele. The government could also consider a tax on the return on investment; such a tax likely would have the effect of motivating innovation in risk assessment and prevention rather than in financial investments.

- Whereas the authorities responsible for regulating insurance often only manage the market's financial stability;
- Whereas insurance providers use discriminatory criteria to assess the risk;
- Whereas it is possible to calculate risk by using non-discriminatory criteria;

Union des consommateurs recommends:

6. that provincial governments prevent insurers from taking into account any prohibited discriminatory criteria for risk calculation;
7. that provincial governments review their human rights laws to restrict or eliminate the possibility for insurers to use such discriminatory criteria for calculating risk or setting premiums.

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ANNEX 1 LÉGER MARKETING REPORT PREPARED FOR UNION DES CONSOMMATEURS

Montréal
Québec
Toronto
Ottawa
Edmonton
Philadelphie
Denver
Tampa

Étude auprès de personnes sans assurance habitation

Rapport de recherche qualitative

Projet 12978-010
Avril 2010

Table des matières

Worldwide Independent Network Of Market Research

Contexte, objectifs et méthodologie

- Léger Marketing a été mandatée par l'Union des consommateurs pour réaliser une étude qualitative auprès de personnes ne possédant pas d'assurance habitation, et ce, afin d'en connaître les raisons sous-jacentes. Plus précisément, les principaux objectifs de l'étude étaient de connaître :
  - ✓ Les démarches effectuées pour contracter une assurance habitation;
  - ✓ Les raisons expliquant pourquoi les participants ne possèdent pas d'assurance habitation;
  - ✓ L'utilité perçue de l'assurance habitation;
  - ✓ La notoriété et la perception de l'aspect « responsabilité civile » et du prix de l'assurance habitation.

- Pour ce faire, 30 entrevues en profondeur ont été réalisées par téléphone à partir du bureau de Léger Marketing à Montréal, du 6 au 9 avril 2010.

- Pour être éligibles à l'étude, les participants ne devaient pas posséder d'assurance habitation et être responsables en totalité ou à parts égales avec une autre personne des décisions financières du ménage, et spécifiquement des décisions liées à l'assurance habitation. Notons également que ces entrevues ont été réalisées auprès de résidents de la province de Québec.

Note :

- Ce rapport reflète les opinions et perceptions d'un nombre limité de personnes, en réponse à des questions spécifiques à un moment précis dans le temps. Les renseignements recueillis au moyen de ces entrevues sont de nature qualitative, et ne peuvent être extrapolés à l'ensemble de la population à l'étude étant donné le petit nombre de personnes interrogées. Les résultats présentés constituent uniquement des tendances générales observées.

Profil des répondants

	Nombre de répondants
Sexe	
Homme	21
Femme	9
Occupation	
Employé de bureau	3
Personnel spécialisé dans la vente et services	2
Travailleur manuel	2
Ouvrier spécialisé/semi-spécialisé	2
Travailleur des sciences & technologies	1
Professionnel	4
Gestionnaire / Administrateur / Propriétaire	2
Au foyer	1
Étudiant	1
Retraité	8
Sans emploi	4

	Nombre de répondants
Scolarité	
Secondaire	12
Collégial	8
Universitaire	10
Revenu du ménage	
19 999$ et moins	15
20 000$ à 39 999$	11
40 000$ à 59 999$	3
Refus	1
Âge	
18 à 24 ans	2
25 à 34 ans	4
35 à 45 ans	5
46 à 54 ans	5
55 à 65 ans	8
66 ans et plus	6

Profil des répondants (suite)

	Nombre de répondants
Nombre de personne(s) dans le ménage	
1 personne	23
2 personnes	7
Nombre d'enfant de moins de 18 ans	
Aucun enfant	29
1 enfant	1
Personne(s) habitant avec le répondant	
Habite seul	23
Conjoint(e)	3
Parent(s)	3
Colocataire(s)	1
Statut d'habitation	
Propriétaire ou copropriétaire	1
Locataire	29
Type d'habitation	
Appartement (incluant duplex, triplex, etc.)	23
Logement dans une habitation à loyer modique	3
Condo	2
Logement dans une coopérative d'habitation	1
Maison unifamiliale	1
Mur mitoyen avec édifices voisins	
Oui	13
Non	17

	Nombre de répondants
Nombre de logements dans l'édifice	
2 à 5 logements	8
6 à 10 logements	6
16 à 25 logements	5
30 à 60 logements	6
100 à 150 logements	4
Âge de l'édifice	
Moins de 15 ans	3
15 à 29 ans	5
30 à 49 ans	7
50 ans et plus	15
Nombre d'années dans le logement	
Moins d'un an	4
1 à 5 an(s)	19
7 à 10 ans	2
11 à 20 ans	4
Plus de 20 ans	1
Déménagement cinq dernières années	
Aucun déménagement	9
1 déménagement	15
2 à 3 déménagements	6

Résultats

1. Adhésion passée à une assurance habitation et démarches effectuées

1. Adhésion passée à une assurance habitation et démarches effectuées

Adhésion passée à une assurance habitation

- Une majorité de répondants nous affirment avoir **déjà été assurés pour leur habitation par le passé.**

- Parmi ceux qui ont déjà été assurés, environ la moitié nous indiquent que **cela fait 5 ans ou moins**. Les autres nous disent que cela fait de **6 ans** à **plus de 20 ans**.

Démarches effectuées

- Environ la moitié des répondants nous disent avoir déjà **fait des démarches afin de contracter une assurance habitation**. Ces démarches remontent surtout **aux 5 dernières années.**

- Par ailleurs, pour plus de la moitié des répondants, ces démarches étaient **destinées à leur habitation actuelle**, alors que les autres nous indiquent que ces démarches étaient **destinées à une autre habitation occupée dans le passé**.

1. Adhésion passée à une assurance habitation et démarches effectuées (suite)

Démarches effectuées (suite)

- Les principales démarches entreprises par les répondants pour se procurer une assurance habitation sont **la demande de soumissions auprès de compagnies d'assurances** et **l'appel de courtiers.** D'autres démarches ont également été entreprises par les répondants :
  - ✓ Chercher de l'information générale sur l'assurance habitation que ce soit par des brochures ou par Internet
  - ✓ S'informer auprès de leur entourage
  - ✓ Remplir un formulaire papier ou sur Internet

- Ces démarches n'ont généralement pas abouti en raison des **coûts élevés**, d'un **déménagement** ou d'un **refus de la compagnie d'assurance.** Les raisons suivantes ont aussi été mentionnées par quelques répondants :
  - ✓ A finalement décidé que ce n'était pas nécessaire
  - ✓ A eu d'autres priorités (problèmes de santé)

2. Raisons de ne pas posséder d'assurance habitation

2. Raisons de ne pas posséder d'assurance habitation

- Les répondants nous mentionnent diverses raisons de ne pas posséder d'assurance habitation. Ils disent surtout ne pas en posséder parce qu'ils **n'ont pas beaucoup de biens ou de choses à assurer**, parce que **c'est trop cher pour leur situation financière** ou **par choix et principe**.

- Certains répondants indiquent aussi ne pas posséder d'assurance habitation car ils n'en voient pas l'utilité ou le besoin, trouvent les primes demandées par les assureurs trop élevées ou n'ont pas eu le temps de s'en occuper.

- De façon plus marginale, quelques répondants nous avouent avoir été refusés par des assureurs.

- Parmi toutes les raisons mentionnées, les **raisons financières** et le **manque de temps** sont les **raisons considérées les plus importantes** pour les répondants.

2.1. Raisons de ne pas posséder d'assurance habitation

- N'a pas les moyens / C'est trop cher pour leur situation financière -

- La majorité des répondants qui ne possèdent pas d'assurance habitation parce qu'ils estiment que cela coûte trop cher nous précisent que cela **coûte trop cher pour leurs moyens** alors que les autres nous disent que c'est **trop cher pour ce que ça rapporte**.

- Bien que les répondants affirment qu'ils n'auraient pas les moyens d'assurer leur habitation, seulement une minorité de répondants nous avouent **avoir obtenu une soumission** d'une assurance habitation.

- Ceux qui n'ont jamais reçu de soumission d'une assurance habitation nous disent que c'est l'information véhiculée par leur **entourage** qui leur porte à dire que c'est trop cher. De façon plus marginale, la perception de prix élevé provient également des sources et informations véhiculées suivantes :
  - ✓ En recevant des lettres de la part de la compagnie d'assurance
  - ✓ Selon leur évaluation personnelle
  - ✓ L'assurance est calculée sur la valeur à neuf ou du marché
  - ✓ Les prix sont variables selon le type de construction

2.2. Raisons de ne pas posséder d'assurance habitation

- N'a pas d'assurance habitation par choix, par principe -

- La plupart des répondants qui ne possèdent pas d'assurance habitation par choix ou par principe, nous indiquent qu'ils ont fait ce choix parce que **ça coûte trop cher et qu'ils manquent de budget** mais aussi parce qu'ils **considèrent que leurs biens ne valent pas la peine d'être assurés ou n'ont pas suffisamment de valeur pour être assurés**

- Les **raisons suivantes ont également été mentionnées** par quelques répondants :
  - ✓ N'en voient pas l'utilité
  - ✓ Leurs besoins et priorités ont changé (ont choisi de combler d'autres besoins plus urgents)
  - ✓ Les compagnies d'assurances ne veulent pas payer quand un problème survient
  - ✓ La valeur des biens est surévaluée
  - ✓ Car ils doivent payer des primes

2.3. Raisons de ne pas posséder d'assurance habitation

- N'en a pas besoin / N'en voit pas l'utilité -

- Environ la moitié des répondants qui ne possèdent pas d'assurance habitation parce qu'ils estiment ne pas en avoir besoin nous disent surtout **avoir peu de biens à assurer**. Les autres nous indiquent ne pas en avoir besoin pour les raisons suivantes :
  - ✓ Ne **perçoivent pas de risque**
  - ✓ **Estiment qu'une assurance habitation n'est pas essentielle**
  - ✓ Pour des raisons économiques
  - ✓ Sont locataires
  - ✓ Pense que c'est moins cher de se racheter les biens perdus que de payer les primes
  - ✓ Prévoit déménager
  - ✓ Sont d'avis que les compagnies d'assurances ne veulent pas rembourser

- Toutefois, plus de la moitié des répondants qui estiment ne pas avoir besoin d'une assurance habitation nous avouent qu'ils **en auraient besoin ou trouveraient cela utile s'ils étaient propriétaires**, **s'ils avaient plus de biens matériels** et **en cas de problèmes majeurs tels un incendie**, **un vol** ou **une inondation**. De façon plus marginale, les situations suivantes ont aussi été mentionnées :
  - ✓ Si avait une famille
  - ✓ Si possédait une vieille habitation (les risques sont alors perçus comme étant plus élevés)
  - ✓ Si vivait dans un endroit isolé

- Par ailleurs, moins de la moitié des répondants nous affirment avoir **déjà évalué la valeur de leurs biens et leur coût de remplacement**. Parmi ceux-ci, **seule une minorité est au courant de ce qu'il en coûterait pour les assurer.**

2.4. Raisons de ne pas posséder d’assurance habitation

- Primes demandées par les assureurs sont trop élevées -

- Parmi les répondants qui ne possèdent pas d’assurance habitation en raison des primes trop élevées demandées par les assureurs, la plupart nous indiquent que les **assureurs n’ont mentionné aucune raison pour justifier le montant des primes exigées**. De façon plus marginale, les deux raisons suivantes ont été mentionnées :
  - ✓ Le **quartier**
  - ✓ La **proximité d’un commerce**

- Généralement, les répondants n’ont **pas fait de démarches** afin de faire changer l’élément qui a été invoqué comme étant problématique par les compagnies d’assurance.

- Les répondants n’ont **pas fait de démarches** principalement parce qu’ils pensaient que **cela ne changerait rien** (car les primes sont conformes aux normes, c’est une question de zonage et de proximité d’un commerce). Quelques personnes nous ont également dit ne pas avoir fait de démarches supplémentaires pour ces raisons :
  - ✓ A tout simplement laissé tomber et n’a pas approfondi ces questions
  - ✓ S’est découragé et s’est dit qu’il chercherait plus tard
  - ✓ Par paresse et manque d’intérêt

2.5. Raisons de ne pas posséder d'assurance habitation

- N'a pas eu le temps de s'en occuper / Ne s'en est pas occupé -

- Parmi les répondants qui nous indiquent ne pas avoir d'assurance habitation parce qu'ils n'ont pas eu le temps de s'en occuper ou ne pas s'en être occupés, la majorité **ont l'impression que les démarches à faire sont longues et compliquées**.

- Malgré la perception de démarches longues et compliquées, la quasi-totalité des répondants **pensent néanmoins effectuer des démarches dans le futur afin de contracter une assurance habitation**.

- Une minorité ne pense pas le faire parce qu'elle n'en voit tout simplement pas l'utilité et le besoin.

2.6. Raisons de ne pas posséder d'assurance habitation

- A été refusé par des assureurs / On a refusé de renouveler sa couverture -

- Les répondants qui ne possèdent pas d'assurance habitation parce qu'ils ont été refusés par des assureurs nous disent avoir été **refusés pour les raisons suivantes** :
  - ✓ Leur dossier de crédit
  - ✓ Leurs biens à assurer coûtaient trop chers
  - ✓ Leur habitation est construite en béton

- La plupart des répondants ayant essuyé un refus **ont fait des démarches pour faire changer l'élément qui a été invoqué comme étant problématique** par les compagnies d'assurances.

- Ces répondants **ont généralement contacté un à deux autre(s) assureur(s)** suite au refus.

- Parmi ces mêmes répondants, la majorité nous indiquent **connaître des ressources qui aident les gens à trouver un assureur, mais qu'ils n'y ont pas fait appel.**

3. Utilité perçue de l'assurance habitation

Utilité perçue de l'assurance habitation

- Bien que les répondants interrogés ne possèdent pas d'assurance habitation, la grande majorité considère toutefois que **l'assurance habitation est une chose très ou assez utile**.

- Ils sont d'ailleurs en faveur de l'assurance habitation pour **être couverts en cas de sinistre (incendie ou vol),** pour **protéger leurs biens** et **avoir la possibilité de récupérer ou remplacer les biens perdus**.

- De plus, pour certains répondants, le fait de ne pas tout perdre ou de recevoir au moins une partie des pertes subies sont d'autres arguments en faveur de l'assurance habitation.

- Pour près de la moitié des répondants, la **possibilité de perdre leurs biens dans un sinistre ou un vol est quelque chose qui les inquiète**. Si une telle éventualité se produisait, la plupart des gens indiquent qu'ils **remplaceraient tout simplement les biens perdus ou les biens les plus nécessaires**. Dans le cas d'une telle éventualité, les réponses suivantes ont aussi été données :
  - ✓ Je perdrais tout
  - ✓ Je ne ferais rien
  - ✓ J'irais vivre chez la famille (parents, frères, sœurs, etc.)
  - ✓ J'essaierais de sortir les biens qui peuvent être sauvés en cas d'incendie

- Lorsque confrontés au problème, certains répondants disent réaliser l'utilité de l'assurance habitation et pensent à s'assurer.

4. Notoriété et perception de l'aspect responsabilité civile de l'assurance habitation

Notoriété et perception de l'aspect responsabilité civile de l'assurance habitation

- La majorité des répondants nous disent **être au courant du volet responsabilité civile** de l'assurance habitation.

- D'ailleurs, il s'agit d'un volet pour lequel les répondants pensent qu'il serait préférable d'être assuré.

5. Prix raisonnable pour une assurance habitation

Prix raisonnable pour une assurance habitation

- Interrogés sur un **prix considéré raisonnable** pour une assurance habitation, en termes de prime mensuelle à payer, aucun consensus n'a été établi. Les répondants indiquent qu'un prix raisonnable serait :
  - ✓ Entre 10$ et 20$
  - ✓ Entre 25$ et 35$
  - ✓ Entre 40$ et 50$

Conclusions stratégiques

Conclusions stratégiques

- Les répondants indiquent ne pas posséder d'assurance habitation principalement parce que c'est **trop cher pour leur situation financière**, **par choix et principe personnel** ou parce qu'ils **n'en voient pas les besoins ou l'utilité**.

- **Parmi les répondants qui évoquent qu'une assurance habitation coûte trop cher pour leur situation financière**, peu de répondants nous avouent avoir reçu une soumission d'une assurance habitation. Cette perception de prix élevé provient généralement du bouche-à-oreille.

- **Parmi ceux qui affirment ne pas posséder d'assurance habitation par choix et principe personnel**, nous constatons que la raison plus profonde de ce choix est que l'assurance coûte cher et que les répondants n'ont pas le budget nécessaire.

- **Les répondants qui ne voient pas le besoin ou l'utilité d'avoir** une assurance habitation, nous apprennent surtout avoir peu de biens à assurer.
  - ✓ Ils estiment toutefois qu'ils auraient besoin de cette assurance s'ils étaient propriétaires ou avaient plus de biens matériels. Quelques répondants sont également conscients qu'ils en auraient besoin si un problème majeur tel un incendie, un vol ou une inondation survenait.
  - ✓ Nous constatons que peu de répondants ont déjà évalué la valeur de leurs biens et leur coût de remplacement et sont au courant de ce qu'il en coûterait pour les assurer.

- **Les répondants qui ne possèdent pas d'assurance habitation parce qu'ils trouvent les primes demandées par les assureurs trop élevés** n'ont généralement pas fait de démarches pour faire changer l'élément qui a été invoqué comme étant problématique par les compagnies d'assurance. Ces démarches n'ont pas été effectuées parce qu'ils pensent que cela ne changerait rien.

- **Ceux qui ne possèdent pas d'assurance habitation parce qu'ils n'ont pas eu le temps de s'en occuper** ont généralement l'impression que les démarches à faire sont longues et compliquées. Ces répondants pensent néanmoins effectuer des démarches dans le futur afin de contracter une assurance habitation.

Conclusions stratégiques (suite)

- L'assurance habitation est perçue comme étant une chose **très ou assez utile** par la plupart des répondants interrogés. Ils sont en faveur de cette assurance **surtout pour être couvert en cas de sinistre ou de vol**. D'ailleurs, pour de nombreux répondants, l'éventualité de perdre leurs biens dans un sinistre ou un vol est quelque chose qui les inquiète et si cela arrivait, ceux-ci sont conscients qu'ils auraient à remplacer les biens perdus.

- Par ailleurs, lorsqu'on explique aux participants le volet de la **protection « responsabilité civile »**, la majorité nous disent être **au courant de cet aspect de l'assurance habitation**. Il s'agit d'un volet pour lequel les répondants pensent qu'il serait préférable d'être assuré.

- Lorsqu'on les interroge sur le **prix qu'ils considèrent raisonnable** pour une assurance habitation, les répondants sont **plutôt partagés**. Environ le tiers des gens jugent qu'un prix entre 10$ et 20$ est raisonnable, un autre tiers nous mentionnent un prix entre 25$ et 35$ semble raisonnable, alors que les autres nous disent que 40$ à 50$ est un prix raisonnable.

- **En conclusion**, les principaux constats que nous pouvons formuler sont les suivants :
  - ✓ Les **considérations financières** sont les principales raisons mentionnées par les gens pour ne pas posséder d'assurance habitation.
  - ✓ Le **manque d'information** semble également important, plusieurs personnes semblant se fier simplement au bouche-à-oreille pour baser leur décision.
  - ✓ Nous constatons également que les gens **envisagent peu les conséquences** à ne pas posséder d'assurance habitation. Toutefois, lorsque ces derniers sont confrontés à ce problème, ils semblent réaliser l'utilité et l'importance de l'assurance habitation.

Contact et coordonnées

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