

## IMIA Country Analysis 2014

Premium Development	Claims Development	Underwriting Profitability	Business Outlook
<p>P&amp;C company growth rate has been steady modest over the past eight years. Direct written premium increased from \$37.7 billion in 2006 to \$46 billion in 2014, net earned premium from \$35.8 billion to \$44.7.</p> <p>Engineering Insurance lines grew steadily from the previous year. Net written premium increased to \$393 million from \$355 million in 2013 but the loss ratio also increased to 58% compared to 39.59% posted in 2013.</p> <p>Engineering-related inspection activity is estimated to be \$26.5 million, down from \$28.5 million for 2014 as there is increased competition.</p> <p>For Machinery Breakdown business, which includes Boiler Explosion and Loss of Profits, the net earned premium in 2014 was \$393 million, slightly increased from 2013's \$355 million. The Machinery Breakdown market was affected by many larger risks going into combined all risk policies; there was little overall change in rates, but there was significant competition on the larger accounts which have a good loss ratio.</p> <p>For 2014, the result is likely to be similar. Machinery Breakdown premiums equate to approximately 6% of the premium spent on Commercial Property insurance, and around 0.8% of the total P&amp;C industry writings.</p>	<p>Machinery Breakdown showed a negative trend, losses increased from \$140 million to \$355 million, an increase of approximately 63%. The B&amp;M loss ratio rose from 39.6% in 2013 to 58.1% in 2014.</p> <p>On August 7th central Alberta communities were hit with heavy rain and golf ball-sized hail. This hailstorm cost insurers \$450 million according to the Insurance Bureau of Canada. The frequency and severity of weather events has been rising in Canada. Alberta has been hit the hardest in the last several years..</p> <p>Other losses to note in 2014 included the June 17th tornado in Angus, Ontario. Of the 100+ homes damaged by the tornado, 10 or 11 lost their roof and needed to be demolished.</p> <p>As indicated, EAR and CAR business is recorded as Property business in Canada and no separate loss statistics are available.</p>	<p>The Canadian Property and Casualty industry wrote \$46 billion in direct written premium in 2014, up 1.7% from \$45.2 billion in 2013.</p> <p>Underwriting profit improved in the P&amp;C industry with an outcome of \$661.6 million, up from \$277.7 billion in 2013, a variance of +41.9%.</p> <p>The underwriting expense ratio decreased from 73% in 2013 to 61% in 2014.</p> <p>The Machinery Breakdown premium for 2014 was up 10.8%, from \$356 million in 2013 to \$394 million in 2014. The claims ratio increased to 58.1% from 39.6% in 2013.</p>	<p>Canadian insurers in general are investigating future insurance products. Emerging risks include telematics, challenges to public transit (Uber), 3-D printing, drones and cyber liability, and these topics are receiving a great deal of attention.</p> <p>The Canadian insurance industry is competitive but, despite consolidation over the last few years, the industry remains highly fragmented. The top five insurers make up only 45% of the market.</p> <p>The profitability of the industry will increasingly rely on underwriting performance as interest rates remain low. An increasing focus on better customer service will also put pressure on the lower performing insurers. This pressure will continue the trend of consolidation. Most recently, Zurich has offered to buy RSA.</p> <p>The overall economy continues to grow slowly. Canada's gross domestic product grew by 2% in 2014, with growth forecast for 2016 at 2.5%.</p> <p>Canada's central bank has dropped the benchmark interest rate to 0.5% in view of the decline in crude oil prices and the growing concerns that the global economic slowdown will continue to negatively affect Canada. Despite the gloomy global outlook, there are some bright spots. The declining value of the Canadian dollar against the US dollar and a strengthening US economy have led to a significant increase in exports.</p>