Country Analysis Report - CANADA

Premium Development	Claims Development	Underwriting Profitability	Business Outlook
modest increases over the past several years. However, in 2016, direct written premium increased only slightly from $51.08 billion to $51.6 billion. The engineering insurance business lines (excluding EAR/.CAR) declined slightly in 2016 from the previous year. Net written premium decreased to $430 million from $477 million in 2015 and the loss ratio declined to 46% compared to 52% posted in 2015. Engineering-related inspection activity is estimated to have been $32.0 million, up from $29.5 million for 2015 despite increased competition for inspection work, as there is also increased demand. Auto insurance continues to be the largest line of insurance in Canada, accounting for almost 50% of the total net written premium in Canada. The total net earned premium for Canadian auto insurers increased by 0.6% in 2016 after declining 2% in 2015, reflecting the continuing effect of the Ontario Automobile Insurance Rate Stabilization Act which took effect in August 2013.. Commercial property premium rose 3.0% to $6.85 billion in 2016 in net earned premiums. Growth was limited by the slowdown in the Alberta economy. CAR and EAR premiums are not listed as separate lines of business in Canada and are typically	2016 saw the newest costliest wildfire event in Canadian history, the Fort McMurray fire in May, which developed almost $4 billion in loss costs. In addition, there were 12 other catastrophes in Canada in 2016. The overall loss ratio for commercial property insurers increased from 76% in 2015 to 83% in 2016. For all lines combined the overall market produced a combined ratio of 99.2%, up from 94.8% the previous year. The industry as a whole produced a return on equity of only 4.88% Machinery Breakdown losses showed a slight decrease, from net claims incurred of $228 million in 2015 to $203 million in 2016. Together with increased net earned premiums, this resulted in a decline in loss ratio from 52% to 46%.	The Canadian insurance industry suffered almost $5 billion in catastrophe losses in 2016 and this, together with weak investment income, led to the worst ROE for the industry in over a decade. The combined ratio for 2016 was 99.2%. A relatively benign fourth quarter saved the year. Net written premium grew by 6% compared to 5.3% the previous year. Machinery Breakdown (not including EAR/CAR) premium for 2016 was up 6.7%, from $441 million in 2015 to $470 million in 2016. The claims ratio decreased to 46% from 52% in 2015.	The Canadian insurance marketplace continues to be affected by the slumping global economy. Canada's real gross domestic product (GDP) grew by a steady 1.5% in 2016. This was a slight increase from the 1.2% increase in 2015, but still a better performance than the 0.9% growth that had been forecast. In the first quarter of 2017, GDP grew by an annualized 3.7%. In April and June this grew at an annualized 4%. This pace of growth is expected to slow to 2% for the remainder of the year following a rise in interest rates by the Bank of Canada, which is trying to slow inflation. Canada's central bank increased the benchmark interest rate by a quarter point to 0.75% in July and further increases seem likely. It is expected the Canadian dollar will stabilize together with crude oil prices. The western provinces will continue to be negatively impacted by the lower price of oil while Ontario and Quebec are expected to benefit from the low Canadian dollar with increased exports of manufactured goods. Canada continues to be hit by natural catastrophes and their frequency and severity are difficult to predict. These severe weather events will continue to impact the P&C industry. The summer of 2017 has seen numerous wildfires in Western Canada.

included as part of Property (Personal and Commercial). It is estimated the premium associated with such contracts for 2016 was $301 million, an increase of 1.8% from $256 million in 2015, mainly driven by a growth in residential construction. For Machinery Breakdown business, which includes Boiler Explosion and Loss of Profits, the net earned premiums had a 6.7% increase to $470 million from $440 million in 2015. The Machinery Breakdown market continues to be affected by many larger risks going into combined all risk policies. There was little overall change in rates but there was significant competition on larger accounts which enjoy good loss ratios. For 2017, 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&C industry writings.			