

Insurance Market – Outlook 2008

We are continuing to see a strong, stable and competitive insurance market in Canada. When insurance companies are “banging on our door” for your business, it is always good for our clients. It suggests we’ll continue to see some competitiveness in the industry, which should result in premiums remaining lower.

Apart from pricing aggressively, insurers had also relaxed some of their underwriting terms to secure new business.

There are however, a few early warning signals that small changes are on the horizon for the insurance industry as a whole that may have an affect on risk appetite and rating practices of the Canadian insurance companies.

Some of those signals are that Canadian insurers saw their collective 2007 Q3 net income drop Cdn \$211.9 million, roughly a 5% decline over the same period last year. In addition, the same period saw an increase in claims costs, up 6% from the previous year.

Claims are up sharply for personal property and automobile insurance in particular but we do anticipate that premiums will remain competitive through 2008, with adjustments based on territories where losses are more frequent.

Premiums in Canada are influenced to some degree by insurance results in the United States and insurers there are expected to pay US\$6.5 billion to homeowners and business for property losses from 23 catastrophes in 2007.

Further, the industry as a whole also suffered a decrease in net investment income.

An important “influence” on Canadian Insurance premiums is also found in the reinsurance community. The reinsurers of our *insurance world* considerably affect the premiums that are available to us here in Canada.

One of the largest reinsurers is Swiss Re who reports a Cdn \$1.058 billion pre-tax loss resulting from the U.S. sub prime mortgage fallout.

Having said all this, our “best guess ”is that insurance rates will hold steady in 2008.

Thank you for your valued business. We look forward to continuing to work as your ‘risk management’ department for all your insurance needs.

SERVICE, “with a passion for excellence”. No excuses. Just superior performance.

135 Matheson Blvd. W., 2nd Floor, Miss, Ont, L5R 3L1
(905) 712.4668 TF 800.900.2009 F: 905.712.3586
www.hubbardinsurance.com