

# Water Damage Risk and Canadian Property Insurance Pricing

**A Canadian Institute of Actuaries Research Project**

**March 31st – April 1st  
Washington Marriott Wardman Park  
Washington, D.C**

**Houston Cheng FCIA, FCAS  
Marc-Olivier Faulkner MBA FCIA, FCAS**

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# Agenda

- Mandate of the CIA Research P&C Subcommittee
- Motivation for the research project
- Water Damage: Canadian Context
- Presentation of the Water Damage Risk report
- Lessons learned and next steps



# Mandate of the Research P&C Subcommittee

- Act as a sub-committee of the CIA Research Committee, in order to:
  - Identify Property & Casualty related issues
  - Prioritize relevant and timely industry concerns
  - Engage stakeholders (Researchers, CIA members, CIA Research Committee)
  - Manage the research process
- Address gaps in Canadian-specific actuarial research
- Publish research that can be applied by actuaries in practice



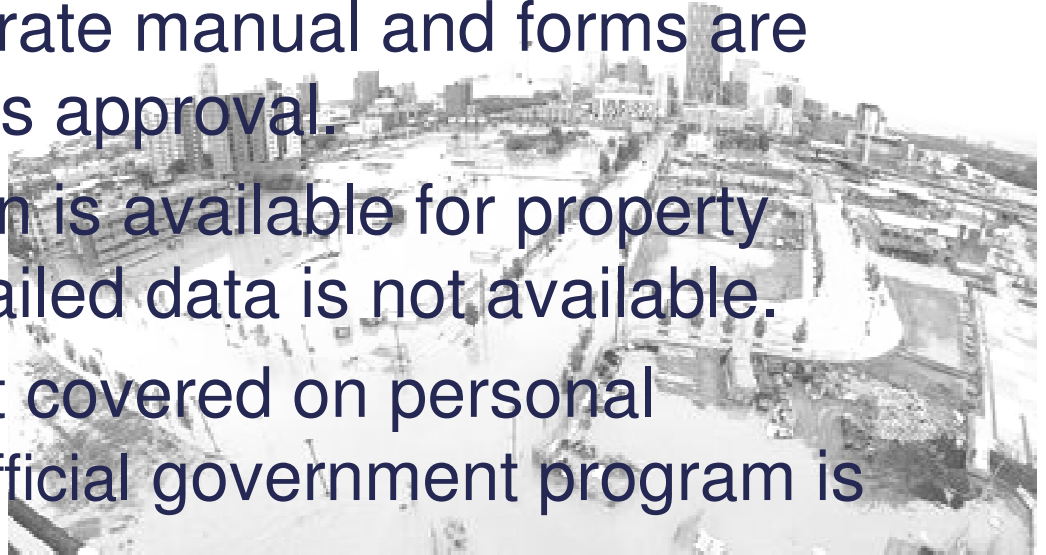
# Motivation for the Research Project

- Impact of water damage risk is an important issue for the Canadian P&C insurance industry.
- Reports had been written on water damage and climate change. They did not cover well the pricing perspective.
- The number of actuarial papers written on water damage pricing is very limited.
- Learn from a phase 1 report and potentially conduct a phase 2.



# Water Damage: Canadian Context

- Homeowner Insurance rate manual and forms are not subject to regulator's approval.
- No formal statistical plan is available for property insurance. Industry detailed data is not available.
- Overland flooding is not covered on personal property policies. (No official government program is available )
- Auto insurance in Canada accounts for over 50% of incurred loss and slightly less than 45% in the U.S.



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# Lessons Learned

- Any quantitative/modeling exercise will be difficult: we anticipate very low appetite for sharing data on a phase 2
- Survey revealed that there might be a large gap between participating companies. Advanced methodologies are seen as a competitive advantage
- Lack of municipal infrastructure data or other « open source » data is a major road block.



# Next Steps

- Leverage report and get decision makers attentions.
- Follow outcome of the IBC MRAT project.
- Issue a call for papers: step by step approach to help the “lay actuary” price water damage risk and other related topics





# Questions/Discussion