



Swiss Re and ICLR publication outlines partnership solution to bring homeowners' flood insurance to Canadian market

Contact:

Media Relations, Zurich
Telephone +41 43 285 7171

Corporate Communications, London
Telephone +44 20 7933 3445

Corporate Communications, Asia
Telephone +852 2582 3660

Corporate Communications, New York
Telephone +1 212 317 5663

Swiss Reinsurance Company Ltd
Mythenquai 50/60
P.O. Box
CH-8022 Zurich

Telephone +41 43 285 2121
Fax +41 43 285 2999
www.swissre.com

Toronto, 16 November 2010 – Swiss Re today announced the launch of a discussion paper titled “Making Flood Insurable for Canadian Homeowners.” The study, released by the Institute for Catastrophic Loss Reduction (ICLR) and supported by Swiss Re, outlines the steps and solutions to resolve the problem of Canadian homeowners being unable to purchase insurance for overland flood damages.

At present, homeowners in Canada cannot purchase overland flood insurance and instead are left to rely on government-provided financial assistance programs after flood events. The report demonstrates flood insurance has many advantages over government relief programs. Insurance companies already have well-established methods for assessing and paying claims, which can result in a faster recovery. Risk based premiums and deductibles can also provide incentives to encourage actions to reduce flood risk.

“Canada is the only G8 country where flood insurance is not available to homeowners. With other forms of water-damage being covered, such as sewer backup and burst pipes, and with commercial entities being able to purchase flood insurance, the coverage void tends to confuse – even anger – homeowners when they discover that they are not covered after a flood event,” said Paul Kovacs, executive director of the Institute for Catastrophic Loss Reduction. Kovacs added: “The provision of flood insurance for Canadian homeowners will put Canada in line with most other industrialized countries, and end any confusion that exists with regard to water-damage claims.”

The paper advocates a partnership between the insurance industry, government and private homeowners. Additionally, it explores historical flood damages in Canada, current flood management practices at the national level in Canada and flood management practices for four case study provinces: Ontario, Quebec, British Columbia and Alberta.

“One of the biggest barriers to implementing flood insurance in the Canadian market so far has been adverse-selection. What the report demonstrates is how to overcome this barrier by bundling flood insurance into homeowner insurance policies that cover other perils such as fire or theft,” explained Sharon Ludlow,

President & CEO, Swiss Re in Canada. "The bundling approach has been in place in the U.K. for the past fifty years and, as the findings of this report show, is the best suited model for Canada."

For a viable flood insurance program in Canada, governments will need to work to increase flood risk assessment and reduce flood risk. A viable insurance program will also require that public relief programs do not conflict with flood insurance.

Under the strategies proposed in the report, homeowners, meanwhile, would need to be aware of their own flood risk and implement appropriate flood damage mitigation measures on their own property. Risk based premiums and deductibles would help ensure the higher risk properties retain a greater proportion of the costs. To avoid ambiguity when claims and payouts are made, the report also states that flood insurance in Canada should cover all causes of flooding.

The report concludes that the next step in establishing a successful flood insurance program involves an industry-wide discussion of this important issue.

To learn more about the report, "Making Flood Insurable for Canadian Homeowners," please visit www.swissre.com or www.iclr.org

Notes to editors

Swiss Reinsurance Company Ltd

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