

**Note:** *This document was prepared by Grant, Jones & Stuart Insurance as a service to their clients on October 17, 2008.*

## **The 'Panic' of 2008**

You may be wondering what effect the current financial 'meltdown' will have on your policy and/or Insurance Company. Press stories about the troubles faced by AIG Insurance and the collapse of Lehman Brothers have many people concerned as evidenced by the massive slide in the stock market and the sudden drying up of some forms of credit.

My first observation on this is that the media has in some cases played up the crisis by their choice of language. When I read an article that says a certain measure 'tumbled' by 1.2 percent, I find myself feeling more than a little irritated by their choice of words. Tumbled? 1.2 percent? Other words like 'collapse', 'downward spiral', 'plunge' and many others are batted around to describe situations that simply do not warrant such inflammatory language. My second observation is that shares in many Canadian financial institutions have been hit very hard despite their minimal exposure to the subprime market. All of this goes to create a sense of fear and panic among investors. If I can draw an analogy, in warfare, the one thing that it is most important to train for is to know how to act under fire. Panic in warfare leads to disastrous results, and that is exactly what has happened in the stock market. You must ask yourself, is this a wise time to make snap decisions and my personal response is absolutely not. How will those who sold out at the bottom of this crash feel a year from now if there is a significant recovery? Take a step back and think critically about what is going on. Read the news but think about the language that they use, the stories they decide to report on and the stories they do not report on. Bad news is being focused on like a laser beam and good news is simply being ignored. Many companies continue to report very strong earnings but they don't seem to be making it into the headlines.

If I can give specific assurance about the companies we deal with, Aviva (Pilot Insurance) is rated A- (Excellent), ING Insurance Company of Canada is rated A+ (Superior) and Economical Mutual Insurance is rated B++ (Good) by AM Best's 2008 Ratings Guide. This means that the rating agency believes they all have a good, excellent or superior ability to meet their obligations, i.e., pay their claims. This is, after all, why you bought your coverage.

While it may seem like times are bad, please be assured that we have aligned ourselves with some of the best and most financially sound Insurance Companies in the country. We take our role very seriously and hope that we can be the one thing that you don't need to worry about during uncertain times.