



IBC
Insurance Bureau
of Canada

COMMERCIAL INSURANCE

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IN THE NEWS

A highly inflationary environment continues to affect the transitioning commercial insurance market, with modest premium pressures across most products and risk types. Despite improved insurer performance, the mobilization of new capacity and fierce competition, overall premiums increased due to growth in exposures and inflation.

According to the recent [Global Market Insights](#) report by Aon Canada, the commercial insurance market transition began in Q1 and continued in Q2, with more moderate rate increases and generally stable conditions. Much-needed new capacity entered the market as insurer underwriting appetite expanded. Cyber insurance continues to be a flash point, and market conditions remain challenged.

Marsh, a leading insurance broker and risk advisor, recently shared its Q2 [Global Insurance Market](#) Index showing that global commercial insurance prices rose 9% in the second quarter of 2022. However, the pace of rate increases slowed for the sixth consecutive quarter. Cyber insurance pricing drove the increases in overall financial and professional lines pricing.

Finally, according to the [Applied Systems Commercial Lines Premium Rate Index](#), across Canada, average renewal rate change across all lines decreased to 8.95% in Q2 2022 from 9.12% in Q2 2021. Compared to Q1 2022, average renewal rate change in Q2 increased slightly across all lines of the most commonly placed commercial lines categories, including business and professional services, construction, hospitality services, real estate property and retail services.

What does this mean for commercial customers?

To manage overall portfolio performance, most insurers continue to focus on underwriting excellence and risk selection.

Ongoing inflationary pressures may impact premium costs, potentially resulting in coverage restrictions and underinsurance concerns. Steps that insureds can take to minimize these concerns include:

- **Have policy renewal conversations early** with their trusted insurance professional.
- **Review coverage terms and conditions and assess policy limits** (and sub-limits if applicable) to determine whether their business will be adequately covered following a loss.
- **Reassess property valuations.** With property repair and rebuilding costs on the rise, insureds must confirm that the valuations used within their policies would be sufficient to cover current recovery expenses after a loss. Outdated valuations could result in policyholders being underinsured.
- **Ensure they have adequate risk management practices in place**, document these measures and share this information with their insurance representative.



IBC Proposes National Training Standards for Commercial Trucking

The commercial trucking sector in Canada is facing a tsunami of converging issues that, if not addressed, could threaten the stability of Canada's supply chain. The affordability of commercial trucking insurance has been on slow simmer for years, and insurers continue to see a significant increase in the size and cost of accidents on roadways in both Canada and the US.

Across Canada, many insurers have been experiencing claims costs exceeding collected premiums for consecutive years. This has led to premium cost pressures, particularly for single-vehicle or small fleet operations.



The key factors contributing to these challenges are:

- High turnover of experienced drivers
- Hiring of new drivers who lack experience and access to adequate training and road safety programs
- Significant fraud in the marketplace
- A dramatic increase in large liability claims.

These challenges are less pronounced in large commercial enterprises and fleets, which have sophisticated driver training and risk management operations.

Given these trends, Insurance Bureau of Canada (IBC), in partnership with member insurers, has developed recommendations designed to improve driver training – both in terms of affordability and quality of education – to enhance the safety of roadways. IBC is also advocating for a national database of trucking insurance and claims information, so that insurers can verify a trucker's driving history and fight fraud in the marketplace. Finally, IBC believes truckers deserve to have direct control of their employment records and driver experience confirmations to assist them in finding a job.

Training, accreditation and trainer certifications

The current Mandatory Entry Level Training (MELT) program and other existing provincial training programs should be enhanced to provide standardized curriculum for schools professional trainers, with subsidies to help drivers receive this training at an affordable price.

National and provincial training protocols

The current National Occupational Standards for Commercial Vehicle Operator (Truck Driver) and entry-level training requirements should be updated.

Finishing, proficiency and continuous training

Continuing education for those in the trucking sector should be available after entry-level training.

The challenges in Canada's commercial trucking insurance market will not end overnight. All levels of government, the trucking sector and the insurance industry must come together to design and implement a new training framework in Canada.

IBC Launches 2022 Cyber Awareness Campaign

This fall, IBC launched “Cyber Savvy,” a campaign to help educate small and mid-sized business (SMB) owners and their employees about staying safe online. IBC conducted a Canada-wide survey to gauge the public’s level of cyber safety awareness and how well their workplaces are building cyber safety resilience. With the results, IBC created the [Canadian Cyber Report Card](#) to show overall how well companies are managing their online security and where they are falling short. Despite the increased frequency and sophistication of cyber attacks, the 1,500 survey respondents were assigned a “C” grade, indicating the urgent need to increase cyber safety awareness.

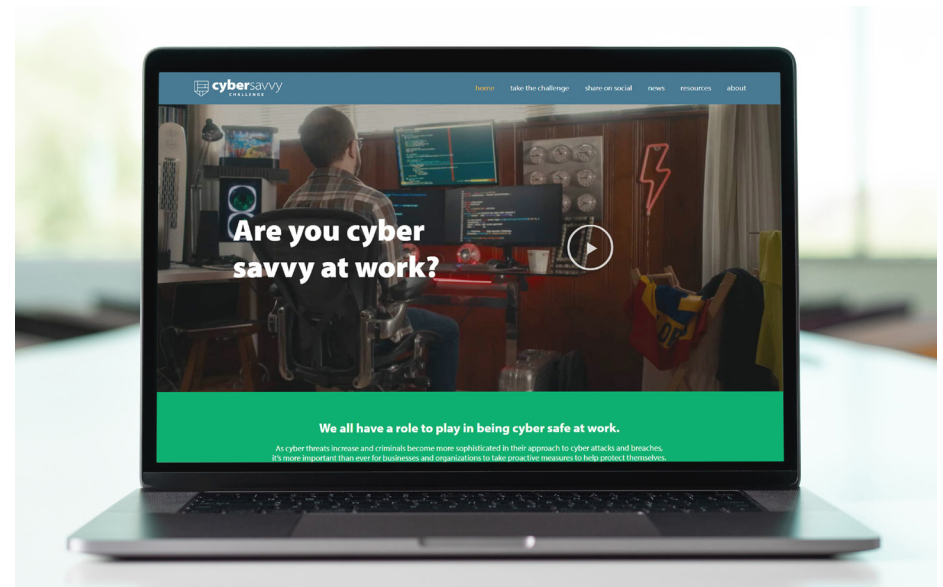
Key findings from the survey include:

- Only a third (**34%**) of respondents report that their company provides mandatory cyber security awareness training
- Only half (**50%**) of the surveyed employees report that their organization has introduced multi-factor authentication, a critical cyber security defence mechanism that requires the user to provide two or more verification factors to access a corporate network or application
- Only a quarter (**24%**) of respondents report that their employer conducts phishing email simulations to promote cyber vigilance.

The research also found that 21% of surveyed SMB employees believe that most cyber breaches are minor and easy to resolve, while the reality is that they can have a devastating financial impact. In 2021, the average total cost of a data breach to Canadian organizations was an estimated \$7.3 million.¹

To help promote critical cyber safety education, IBC has launched an online challenge at www.cybersavvycanada.ca. Canadians will have the opportunity to test their cyber security knowledge for a chance to win prizes during October 2022. The quiz will direct users to the Canadian Centre for Cyber Security and Get Cyber Safe Canada. The Cyber Savvy website will also host other resources to help SMBs boost their online security.

As cyber criminals get savvier, small business owners and their employees need to stay one step ahead by educating themselves about the threat of cyber attacks and what they can do to reduce their risk. While this campaign will only run in October 2022, IBC will continue to provide information on cyber insurance and, through our federal government partnerships, share resources on how SMBs can protect themselves.



Tips for businesses to enhance their cyber security

The Canadian Centre for Cyber Security has [published a list](#) of measures that small and medium-sized businesses can take to protect their networks and information from cyber threats.

As the Centre notes, by implementing these controls, businesses can reduce their risks and improve their ability to respond to security incidents.

¹ IBM, “Cost of a Data Breach Report 2022.”

Some of the top tips include:



Develop an incident response plan

If you have a plan, you can quickly respond to incidents, restore critical systems and data, and keep service interruptions and data loss to a minimum. Your plan should include strategies for backing up data.



Train your employees

Tailor your training programs to address your organization's cyber security protocols, policies and procedures. Having an informed workforce can reduce the likelihood of cyber incidents.



Use strong user authentication

Implement user authentication policies that balance security and usability. Ensure your devices authenticate users before they can gain access to your systems. Wherever possible, use two-factor authentication or multi-factor authentication.



Enable security software

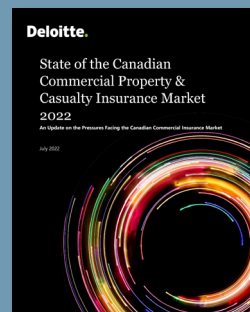
Activate firewalls and install anti-virus and anti-malware software on your devices to thwart malicious attacks and protect against malware. Ensure you download this software from a reputable provider. Install domain name system (DNS) filtering on your mobile devices to block out malicious websites and filter harmful content.



Access control and authorization

Apply the principle of least privilege to prevent unauthorized access and data breaches. Employees should only have access to the information that they need to do their jobs. Each user should have their own set of log-in credentials, and administrators should have separate administrative accounts and general user accounts.

Deloitte Report on State of the Canadian Commercial Property & Casualty Insurance Market 2022



Deloitte recently released an update to its [2020 report](#) examining the state of the commercial insurance market in Canada. IBC commissioned both reports to provide an independent analysis of the challenges affecting commercial insurance. The [latest report](#) highlights financial improvements for insurers in 2021. However, based on previous hard market cycles, Deloitte concludes the level of financial performance will be short-lived, as increased

capacity and a desire for growth put downward pressure on rate and return.

IBC is here to help

While the commercial market continues to experience challenges, IBC and its members remain committed to assisting small business customers that are still facing challenges securing affordable commercial insurance.

To provide ongoing assistance to small business customers, IBC continues to offer an enhanced risk manager program, where a risk manager is available free of charge to any business struggling to find insurance options that meet their needs.

If you have questions about commercial insurance, contact our risk manager service at 1-844-2ask-IBC (1-844-227-5422) or riskmanager@ibc.ca. IBC also operates www.businessinsurancehelp.ca, a website dedicated to commercial insurance and risk management.



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