

NATIONAL COMMERCIAL INSURANCE PROGRESS REPORT:

Executive Summary | February 2023



ABOUT

In 2020, Insurance Bureau of Canada (IBC) launched the National Commercial Insurance Task Force (the “Task Force”) to address consumer concerns about the availability and affordability of commercial insurance due to the hard commercial insurance market. The Task Force subsequently held roundtables across the country with various sectors, and consulted with industry experts on approaches to improve commercial insurance market conditions. In May 2021, the Task Force released a report outlining a suite of recommendations for improving the commercial insurance market in the short, medium and long term. In that report, IBC committed to issuing a progress update that would touch on its engagement with governments and stakeholders on commercial insurance challenges, progress on the implementation of the Task Force’s recommendations, and identify any impacts on the availability and affordability of commercial insurance for businesses and organizations.

Market conditions improving, but significant headwinds may present continued challenges

There is evidence that the hard commercial market is showing signs of moderation – in Canada and globally. This was confirmed by Deloitte in its [State of the Canadian Commercial Property & Casualty Insurance Market 2022](#) report, released in August 2022 and commissioned by IBC.

In Q4, 2020, at the peak of the commercial insurance hard market, global pricing across major commercial lines was experiencing double-digit increases. However, as of Q3 2022, the pace of rate increases has been on a downward trend for seven consecutive quarters, according to the Marsh Global Insurance Market Index, and is on track to equal the rate of inflation in much of the world. Price increases appear to be moderating in markets like the United Kingdom (UK), the United States (US) and Australia.

In Canada, there continues to be fluctuation in market conditions across commercial lines, but overall premium increases are down from the peak levels of late 2020.



Some anecdotal indications that the Canadian commercial insurance market has begun to moderate as of late:

- Among those industry, business and trade associations with whom IBC spoke in the development of this report, none spoke about challenges related to the availability of insurance, though several spoke of ongoing challenges related to the affordability of insurance.
- IBC's Business Insurance Helpline and Consumer Information Centre experienced a decline in inquiries in 2022 compared to 2021. In 2021, there were 1,113 calls for assistance, while in 2022 that number declined to 643.

However, many insurance market analysts expect conditions to remain challenging in 2023, due to a number of factors including persistent inflation, supply chain challenges, rising reinsurance costs, geopolitical uncertainty, increasing interest rates and a projected global recession.

Further, as cyber attacks become more common and impactful, cyber insurance claims costs have increased, which is adding to the pressure in the commercial market. In response, some insurers are reconsidering the scope of coverage, tightening underwriting standards and using exclusions to grapple with emerging cyber risks. Businesses demonstrating implementation of cyber risk management best practices may find a more receptive insurance environment.

Governments, industry and key stakeholders stepped up to support businesses

Since the start of the COVID-19 pandemic, governments have taken important steps to support commercial insurance consumers, including introducing liability immunity legislation to protect businesses and organizations from frivolous lawsuits with respect to exposure to, and contraction of, COVID-19. A number of sector-specific reforms have also helped create more sustainable commercial market conditions, including the Alberta government's legislation introducing licensing requirements for property managers. The Ontario government also made amendments to its *Condominium Act* that came into effect on January 1, 2022. The changes expanded the authority and reach of the Condominium Authority Tribunal, and helped to better define and address the grievance process with respect to nuisances within condominium buildings. Actions such as these support better risk management.

The property and casualty (P&C) insurance industry has continued to support commercial customers over the course of the hard market and during the pandemic, providing \$900 million in premium relief and deferrals.



IBC's Business Insurance Helpline and Consumer Information Centre have provided support to more than **3,100** businesses, with close to **300** businesses obtaining additional support through IBC's free risk management services. To date, 80% of the businesses that utilized risk management services found a path to insurance. IBC's risk manager continues to work on the remaining active files, as well as any new businesses that have contacted the helpline since the start of 2023.

Additionally, the industry's Business Insurance Action Team (BIAT) helped find viable insurance solutions for many small businesses in Ontario's hospitality sector. BIAT supported more than **120** businesses, and the large majority were able to find insurance in the regular market after working with IBC's risk manager. The remaining businesses were offered quotes through the BIAT pool of insurers. As the Canadian economy began to rebound in 2022, and COVID-19 restrictions were lifted, IBC saw a dramatic reduction in the number of applications coming forward for assistance through BIAT. After a successful two years in operation, BIAT wrapped up on June 30, 2022.

Next steps

As we continue to wrestle with the challenges facing commercial insurance customers in Canada, there is considerable work to be done to foster more sustainable market conditions in the short, medium and long term. **IBC will continue to engage governments and key stakeholders on a number of proposals that will have a positive impact on commercial insurance affordability, including:**

- Reforms to joint and several liability frameworks that will align the tort damage award a defendant pays with their degree of fault. This will allow businesses with significant liability exposure (e.g., establishments that serve liquor) to avoid

inequitable financial obligations when another defendant is judgement proof or unable to pay; and

- Sector-specific reforms in those sectors that are experiencing more acute insurance affordability challenges, including the commercial trucking, condominium, and small and medium enterprise (SME) sectors.

Meanwhile, IBC will continue to work closely with key stakeholders to ensure that commercial insurance consumers have the education and resources they need to support informed insurance choices. To that end, IBC will continue to:

- Regularly publish educational materials and produce a semi-annual report on the state of the commercial insurance market.
- Offer free risk management consultations for businesses across Canada experiencing insurance availability issues, and respond to any insurance inquiries through its Business Insurance Helpline (1-844-2ask-IBC) and its [Business Insurance Help](#) website.
- Meet with stakeholders to identify insurance challenges, offer relevant supports, and advocate for legislative and regulatory changes that would create more sustainable market conditions.

Finally, in recognition of the emerging risk presented by cyber threats, IBC is assisting SMEs looking to improve their cyber resilience. By giving financial support to the Canadian Federation of Independent Businesses' (CFIB's) Business Advisor Helpline (1-833-568-2342), IBC is supporting cyber education efforts. CFIB's advisors will answer basic questions on cyber security, or refer the caller to trusted, third-party resources on topics ranging from best practices in cyber risk mitigation to information on the latest cyber threats facing small businesses.

About Us

Established in 1964, Insurance Bureau of Canada (IBC) is the national industry association representing Canada's private home, auto and business insurers. Its member companies represent the vast majority of the Canadian property and casualty (P&C) insurance market. IBC works on a number of fronts to increase public understanding of home, auto and business insurance.

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