



IBC
Insurance Bureau
of Canada

COMMERCIAL INSURANCE

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COMMERCIAL MARKET INTELLIGENCE UPDATE

The Canadian insurance market has remained resilient despite economic volatility, extreme weather events, supply chain and labour challenges and geopolitical uncertainty. Inflation and natural catastrophe risk were the main drivers of premium and cost pressures in commercial property insurance in the first half of 2023.

In its [2023 Insurance Market Realities Spring Update](#), WTW PLC, a global advisory, brokering, and solutions company, reported that the Canadian casualty marketplace has entered into a state of growing stability on rate expectation. For property, additional capacity is driving competition and creating rate stability.

This trend was echoed in the [Property & Casualty Report: Q1/Q2 2023](#) from Burns & Wilcox, an industry leader in providing specialty insurance solutions. For the Canadian market, it noted that Q1 showed lingering hard market conditions with certain classes of business because of increasing reinsurance rates. However, some parts of the market have started to soften, including professional liability, non-profit and private company directors and officers, and transportation insurance.

In its quarterly [Global Insurance Market](#) Index, broking and risk advisor Marsh McLennan noted that, while commercial premium increases continue to stabilize, pressures are most acute in property lines.

What this means for you

The focus on risk quality remains top of mind for insurers and highlights the importance of risk mitigation for policyholders. Insurers require more information and stronger risk management practices than ever before as they navigate increasing volatility.

Updated property valuations have become a focal point during the renewal process, highlighting the increasing emphasis on accurate assessments. Additionally, business disruption has become a major concern as a multitude of interconnected challenges and complex disruptions have led to a significant increase in the cost of business interruption claims.

Emerging Concerns for Canadian Small Businesses

Legal liability increasing

Legal liability may be putting small businesses across Canada in jeopardy, according to a [recent survey](#) by ARAG Legal Solutions Inc., with legal woes rising over the last several years.

Among the highlights:

- **Seven out of 10** small businesses have faced at least one legal issue in the past three years.
- **Thirty-eight per cent** of legal disputes faced in the last three years were related to the pandemic. About 62% were due to regular business operations.
- **Fifty-three per cent** said that the legal dispute(s) they faced had a large or moderate financial impact on their business.

Liability claims in Canada for slip and fall accidents, construction defects, and product liability have been increasing in recent years. A greater awareness of personal rights among Canadians, the growing use of social media to share information about accidents, and a proliferation of lawyers seeking high “American Style” damages are all contributing to this increase. In addition, settlements are becoming more costly due to the high legal costs of defending these claims.

Businesses should focus on loss prevention (e.g., product quality control, snow removal, contractual protection) to mitigate the risk of an incident occurring. Furthermore, businesses should make sure to review liability limits with their insurance representative to ensure that appropriate coverage is in place.



Business Interruption a top risk concern in 2023

A [new report from Aon Canada](#) shows that a rise in business interruption claims is a top risk concern for insurers in 2023.

In its spring Insurance Market Update Canada report, Aon said the sources of business disruption have become myriad of interconnected, complex and diverse challenges. The impact of the COVID-19 pandemic on the global supply chain was further amplified by extreme weather events, the energy crisis, labour shortages, geopolitical instability, ransomware attacks, and social inflation. There is also the growing concern about the possibility of a global recession, which may affect the supply chain further with the potential for insolvency and business failure.

On a positive note, these challenges have motivated companies to improve their business continuity planning and build stronger resilience to mitigate these risks.

Business owners should work with their insurance representatives to re-examine their loss scenarios to ensure they reflect true indemnity periods and up-to-date valuations. Investing in business interruption and natural disaster planning is not only a good risk management practice, it can be a determining factor in securing favourable insurance terms.



BIAT program places last policy

An industry-driven solution designed to assist struggling small businesses in Ontario's hospitality sector during the height of the pandemic recently placed its final policy in the regular market. Launched in November 2020, IBC's Business Insurance Action Team (BIAT) directly supported 123 businesses that requested assistance in finding affordable insurance.

Working directly with brokers, business owners, a risk manager and panel of insurers, the BIAT assessed and reviewed eligible business applications to provide loss-prevention recommendations. In the majority of cases, coverage was placed in the regular market or through direct underwriting by BIAT insurers.

The BIAT program ended in summer 2022, as pandemic restrictions ended and additional capacity returned to the market. However, Insurance Bureau of Canada's (IBC's) risk manager continued to work with a number of businesses that had applied for assistance before the program ended.

The last policy was placed in the regular market effective June 4, 2023.

IBC's risk manager remains available to any business looking for assistance in navigating the insurance process. This free service can be accessed by calling 1-844-227-5422.

IBC teams up with Skills Ontario

IBC has partnered with Skills Ontario to support a program empowering underrepresented youth to learn about skilled trades and technologies.

The collaboration brings in IBC as a premium partner of the Skills Ontario's diversity, equity and inclusion program, providing support for its First Nations, Métis and Inuit initiative.

The insurance industry relies on skilled trade professionals to repair homes, businesses and vehicles that have sustained an insured loss. The [support for Skills Ontario](#) complements the industry's sustained efforts to draw talent to the property and casualty insurance sector.

A nationwide shortage of skilled labour is impacting the speed of insurance claim resolution. For example, labour shortages in the construction industry have had a negative effect on the time required and costs to replace or repair insured properties affected by recent large-scale extreme weather events.

Delays in collision repair services, which started in 2021 and continued into 2022, are not expected to stop anytime soon due to the ongoing repair technician shortage in Canada.



New resource for heritage property owners

Concerns over the affordability of heritage property insurance have emerged in the last few years. If you are considering buying a heritage property, or already own one, it's important to know how to insure it properly.

Owning a heritage property is an investment in Canada's history and an act of community stewardship, therefore it's important to protect it with the right insurance coverage. IBC has resources related heritage property insurance ([make this the link](#)) and tips to help owners navigate challenges.

IBC's annual cyber campaign coming soon

As cyber threats continue to increase and negatively impact small businesses, IBC has recognized the need to continue providing education on reducing cyber risk to small business owners and employees.

In 2022, IBC launched the [Canadian Cyber Report Card](#), a grading system to gauge working Canadians' cyber safety knowledge. We also created an online quiz to educate individuals on what they can do to help protect themselves and their workplaces, and a website to provide resources for employees and business owners.

This year, we will build on our education campaign, increasing the focus on cyber insurance. The campaign will encourage business owners to investigate whether they are candidates for a policy.

Cyber insurance has become more accessible than it was a year ago. According to 2022 data from the Canadian Internet Registration Authority, 74% of organizations have cybersecurity insurance coverage and 36% have a stand-alone cyber policy.

However, these numbers are likely lower for small businesses. Also, organizations with higher risk may still face difficulty in accessing coverage. While small and medium-sized enterprises (SMEs) will need ongoing education on cyber resilience, learning how to qualify for cyber insurance will help provide a path for those who want additional risk-management options.

In the coming months, IBC will release its 2023 Canadian Cyber Report Card, which will show how well employees understand cyber hygiene and where more education is needed. We will also launch a self-assessment tool for SME owners to gain a better understanding of cyber insurance and how to qualify. Business owners can find the report card, self-assessment tool and other resources on protecting their business from cyber threats at [CyberSavvyCanada.ca](#).

