

COMMERCIAL INSURANCE IN CANADA:

A Socio-Economic Analysis of a Vital Industry

Executive Summary | October 2023

Commercial insurance forms part of the bedrock of the Canadian economy. Insurers protect the economic system from potential financial disruptions by assuming many of the risks inherent in the production, distribution and use of goods and services. This transfer of risk frees insured businesses from worrying that an accident or mistake could cause large losses or even financial ruin.

The role of commercial insurance as a financial shock absorber is even more important in today's challenging economic landscape. Canadians are feeling the impact of an inflationary environment and low economic growth, illustrated most plainly by price shocks and the subsequent cost-of-living crisis. In such a landscape, insurers have a unique perspective on the financial impact to both consumers and the wider economy.

Analysis, outlined in this report, finds the economic impact of the commercial insurance industry contributes nearly \$15 billion to Canada's GDP, provides about 115,000 jobs and \$8 billion in labour income.

IBC would like to thank Shane Wood, Craig Stewart and Pierre Leduc from Statistics Canada for their assistance with the collection and validation of the data provided in this report.

To the best of IBC's knowledge, this report is the first of its kind for commercial insurance in Canada. It offers a deep and thorough depiction of the contributions that commercial insurance makes to the well-being of Canadians.

Economic Significance

Impact on GDP in 2022

- The commercial insurance industry contributed \$8.5 billion to Canada's GDP.
- Using the multiplier effect,¹ for every \$1 generated by the commercial insurance industry, an additional \$0.75 is generated in other Canadian industries (e.g., legal services, administrative and human resources services).
- Employing the multiplier effect, the total economic impact of the commercial insurance industry on the Canadian GDP is nearly \$15 billion.

Impact on Labour Income in 2022

- The commercial insurance industry contributed \$4.7 billion to Canada's labour income.
- Using the multiplier effect, for every \$1 generated by the commercial insurance industry, an additional \$0.75 is generated in other Canadian industries.
- According to the multiplier effect, the total economic impact of the commercial insurance industry on Canadian labour income is approximately \$8 billion.

Impact on Employment in 2022

- The commercial insurance industry created about 56,000 jobs.
- Using the multiplier effect, for every 100 jobs generated by the commercial insurance industry, another 105 jobs are created in other Canadian industries.
- With the multiplier effect, the total economic impact of the commercial insurance industry on Canada's employment is approximately 115,000 jobs.

Enabling Broader Economic and Social Activity

Secondary Functions of the Commercial Insurance Industry and Societal Benefits

Beyond the direct economic impact of the commercial insurance industry on national accounts, and therefore on Canadian economic well-being, there are often subtle, hidden but widespread socio-economic benefits to commercial insurance.

Market and Public Policy Impacts on Commercial Insurance

Recent data suggests that the hard commercial insurance market appears to be stabilizing. There has been a slow decline in cost pressures both in Canada and around the world. Nonetheless, certain commercial insurance lines continue to be challenged. For this reason, it is difficult to predict when the market will soften.² While there are a number of complicating factors at play, the outlook largely remains uncertain due to continuing macro-economic shocks, including elevated inflation, rising interest rates, increasing reinsurance costs and persistent supply chain delays.

Stakeholders from key sectors impacted by the hard commercial market have recently made it clear that the affordability and availability issues have improved. Regardless, there remain persistent frictions in the market, specifically with property insurance, commercial trucking and cyber insurance, and IBC has developed a list of supports and solutions to address these concerns.

1 The multiplier effect refers to the effect on the national income and product of an exogenous increase in demand. The investment of the commercial insurance industry leads to increased demand and consumption in other parts of the Canadian economy.

2 Gambrell, David. (July 11, 2023). "Don't Believe the Hype: Why the Hard Market is Softening." *Canadian Underwriter*. <https://www.canadianunderwriter.ca/insurance/dont-believe-the-hype-why-the-hard-market-is-softening-1004235385/>

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.