



IBC
Insurance Bureau
of Canada



COMMERCIAL INSURANCE

NATIONAL QUARTERLY REPORT | Fall 2023

IN THE NEWS

While premium rate increases across numerous commercial lines continue to stabilize or even decrease, commercial property insurance remains in challenging territory.

Three main factors are driving increases: rising losses from natural catastrophes, increasing costs to repair or replace damaged property, and higher premiums charged by reinsurance companies that insurers use to limit their risks.

The situation is not unique to Canada. Around the globe, the property and casualty (P&C) industry has become increasingly disciplined in underwriting commercial property risks, specifically in regions at high risk of natural catastrophes.

Insurers may require updated property appraisals before quoting policy renewals to account for changes in building valuations. The cost of materials used to rebuild most commercial buildings has increased at a rate higher than inflation. In addition, labour shortages in the construction industry mean repair and rebuild jobs may take longer to complete and be more expensive. This impacts valuations.

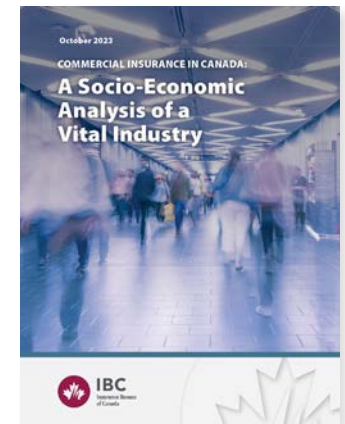
Overall, global commercial insurance pricing increased for most types of coverage in the third quarter of 2023, according to Marsh LLC, marking the longest run of consecutive quarterly rate hikes since 2012, when the brokerage began publishing its global insurance market index. However, Marsh noted that composite pricing actually decreased 1% in Canada.

Aon Canada's Fall 2023 - Insurance Market Update reported a conservative market environment due to uncertainty around economic and social inflation, geopolitical tensions, rising catastrophic weather losses, and supply chain and labour challenges. However, there is optimism within the market as insurers look for growth opportunities, particularly well-performing risks.

New report highlights the value of commercial insurance

IBC, in partnership with Statistics Canada, recently published a first-of-its-kind report, [Commercial Insurance in Canada: A Socio-Economic Analysis of a Vital Industry](#).

The report quantifies the tremendous value the commercial insurance industry provides to Canada's economy, including contributing nearly \$15 billion to Canada's gross domestic product (GDP), supporting about 115,000 jobs and generating \$8 billion in labour income. The report also documents the many, often subtle, qualitative impacts of commercial insurance on Canadian society, including facilitating risk-taking and enabling innovation. The report outlines key market and public policy issues that affect the commercial insurance industry and recommendations IBC and its members have developed to address these issues.



Report validates importance of accurate property valuations

Commercial property and asset valuations are critical during the insurance renewal process. [A recent report by Opta](#), a leading provider of property intelligence and technology solutions in Canada, suggests that the actual value of a given property can vary significantly from the insured amount and a current valuation may only be revealed through technology-driven tools, continually updated material costs, and traditional appraisals or inspections.

Canadian cyber insurance market

IBC released a report in October on the [state of the Canadian cyber insurance market](#). The report shows that between 2020 and 2022 insurers paid out \$1.84 in claims and operating expenses for every dollar earned in premiums. Loss ratios in the past year have improved, in part due to more rigorous underwriting. Given the uncertainty of the cyber insurance landscape, it is difficult to predict if this positive trajectory will continue; however, it may be a sign that the cyber insurance market is maturing.

As cyber threats continue to evolve, businesses – particularly small and medium-sized enterprises – will require more education on cyber security, resilience and how to qualify for cyber insurance.



IBC provides cyber insurance education in latest public education campaign

In 2023, the average total cost of a data breach to Canadian companies is an estimated \$6.94 million –the third highest cost in the world. In light of this ever-increasing threat to many small and mid-sized businesses, IBC's 2023 Cyber Awareness Campaign focused on educating business owners on protecting themselves with cyber insurance. Cyber attacks continue to pose a risk to all organizations, and business owners need to bolster their defences, and consider mitigating their potential exposure through cyber insurance.

Cyber insurance is a relatively new insurance product, and IBC has developed resources to help business owners determine if they are a good candidate for a policy as well as provide information on the application process and measures to improve their overall cyber security.

One of those new resources is the [self-assessment](#) tool for business owners considering cyber insurance. The 10-question assessment can help business owners learn about the cyber security protocols and best practices that most cyber insurers look for when assessing risk. It also poses some of the questions that cyber insurers may ask during the application process.

For example, the assessment asks owners to consider:

- Their risk of a cyber attack
- Whether they electronically collect and store customers' personal information
- The security procedures they have in place
- The frequency of employee cyber safety training.

These questions are similar to what might be included on a cyber insurance application. At the end of the assessment, users are directed to appropriate resources for more information. Some businesses may

find that they're ready to apply for cyber insurance, while others may need to work on improving their risk profile first. This free tool cannot provide an actual risk assessment for small and medium-sized businesses, but it can help gauge their level of readiness for cyber insurance and help determine where they may need to upgrade their cyber resilience.



Owners who are ready to apply for a cyber insurance policy can access the [Cyber Insurance Checklist](#), a resource to help them prepare the information many insurers require.

All businesses can also take advantage of the free [Cyber Security Plan](#) template, which provides guidance on improving overall cyber resilience.

The 2023 Cyber Savvy campaign also included [new research](#) on small business owners' and employees' cyber awareness, building on the previous year's research. IBC also updated its [Cyber Savvy Report Card](#), which helps business owners understand some of the actions their employees may be taking that could put their business at risk of a cyber attack.



All businesses and organizations, especially those that rely heavily on an online presence and use e-commerce, should consider contacting their insurance representative to make sure they have the right coverage to help reduce their risk from cyber attacks. However, cyber insurance is just one component of an overall cyber risk mitigation strategy – it is not a replacement for cyber resilience.

If you have a question about cyber insurance, contact IBC's Consumer Information Centre at 1-844-2ask-IBC (1-844-227-5422).

(Source: IBM, Cost of a Data Breach Report 2023)

New resources on Business Insurance Help website

As part of its ongoing support to Canadian businesses, IBC has added two new risk management documents to the Business Insurance Help website. They include [insurance and risk management tips for charities and non-profit organizations](#), as well as [general insurance risk management considerations for any business](#).

Commercial trucking report

IBC has engaged the consultancy firm MNP LLP to conduct a review and jurisdictional scan of commercial truck driver training in various Canadian and international jurisdictions. The report, which will be released before the end of 2023, will identify best practices and examine how changes in training requirements could contribute to road safety.

The trucking industry continues to face a driver shortage, and the industry is concerned that training costs and requirements could make it more difficult for people to enter the profession. The cost of insurance has also been a pressure point, for new or inexperienced drivers.

Once the report is complete, IBC will share it with stakeholders in the trucking industry and governments. IBC will also post it on IBC's Business Insurance Help website.

