



Alberta Chamber of Commerce

Commercial Insurance State of the Market

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About Insurance Bureau of Canada



National association for Canada's
private home, auto, business insurers

IBC members represent approximately
90% of the Canadian P&C market

Canada's P&C Insurance Industry at a Glance

-  The P&C insurance industry employs around **131,600 Canadians**
-  Insurers paid out a approximately **\$42 billion** in claims to victims of collisions, disasters and other losses in Canada
-  Insurers paid **\$7.9 billion** in personal property losses alone
-  Property loss claims as a percentage of total claims have risen – from **24.4% in 2004 to 33.9% in 2019**
-  Canadian insurers contribute **\$9.1 billion*** in taxes and levies to the federal and provincial governments

*Tax figures as of 2018

Alberta's P&C Industry at a Glance



The P&C insurance network supports **15,445 jobs in Alberta:** with **10,842 employed directly** and over **4,500 employed indirectly** related to the industry.



P&C Insurers paid **\$384 million** in premium taxes and **\$160 million** in health care levies.



Insurers contributed **\$1.2 billion** to Alberta's GDP.



In 2018, the P&C industry was responsible for **\$2.2 billion** worth of income in Alberta and created **\$334 million** in income taxes for the federal and provincial governments.



Alberta had a stable auto insurance market for nearly a decade, but since 2012, claims costs have increased and the market has deteriorated. Some reforms have been recently announced, which should help improve the overall situation.

*Tax figures as of 2018

Commercial Insurance: A Challenging Market

Market forces and the rise of natural catastrophes have created challenging market conditions for commercial insurers as rates are rising faster than inflation.

State of the Market: Factors Affecting Commercial Insurance



Claims Frequency

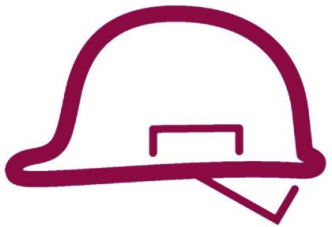


Severe weather



Difficult market conditions

Factors Affecting Commercial Insurance



Claims frequency: repair and maintenance issues –

businesses with a history that includes multiple recent claims related to poor maintenance and preventable damage have had difficulty finding affordable insurance. These enterprises are seen as higher risk and as such insurers are demonstrating **more discipline in their commercial underwriting** – by evaluating risks more thoroughly.

COVID-19 Pandemic – the pandemic has had negative effects on our economy and these have also impacted commercial insurance.

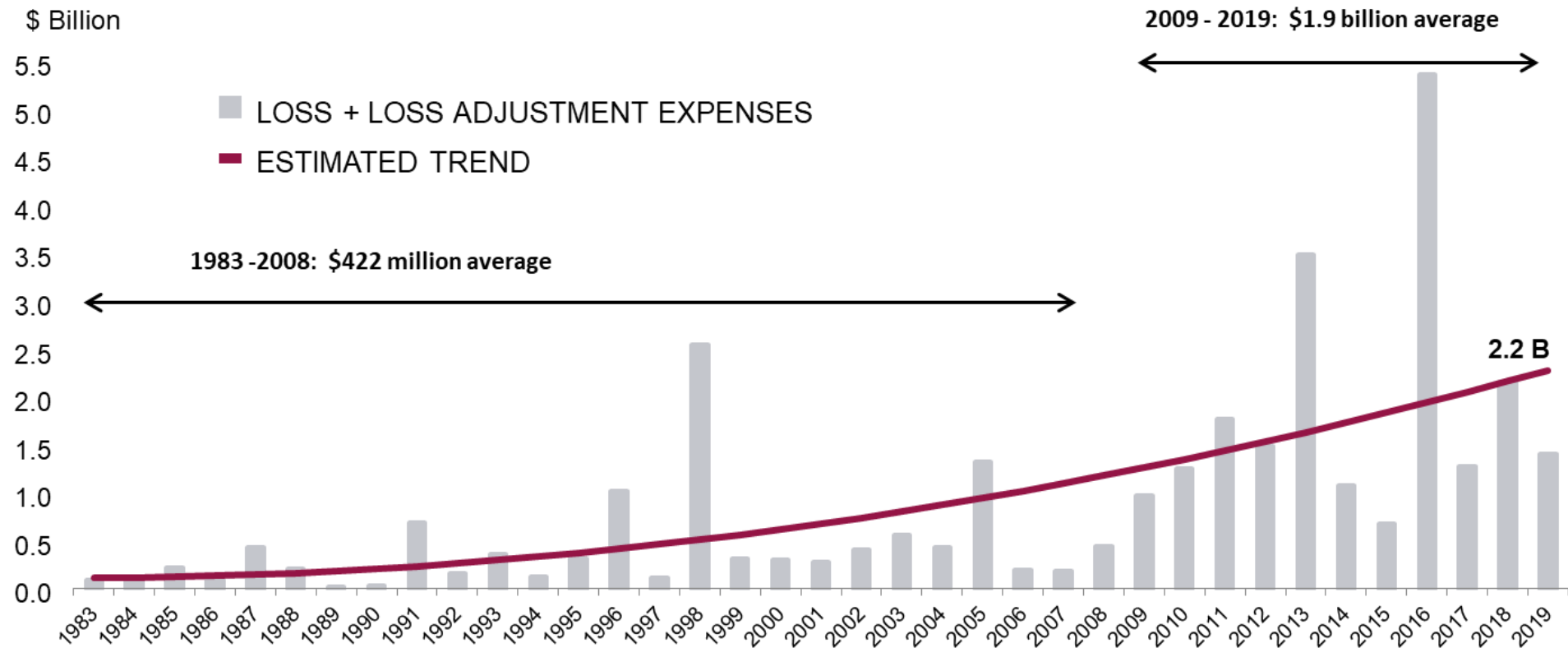
Factors Affecting Commercial Insurance



More frequent and more severe weather losses— an increase in claims due to severe weather, and other market pressures have caused insurers to reconsider the types of risks they're willing to take in writing certain risks.

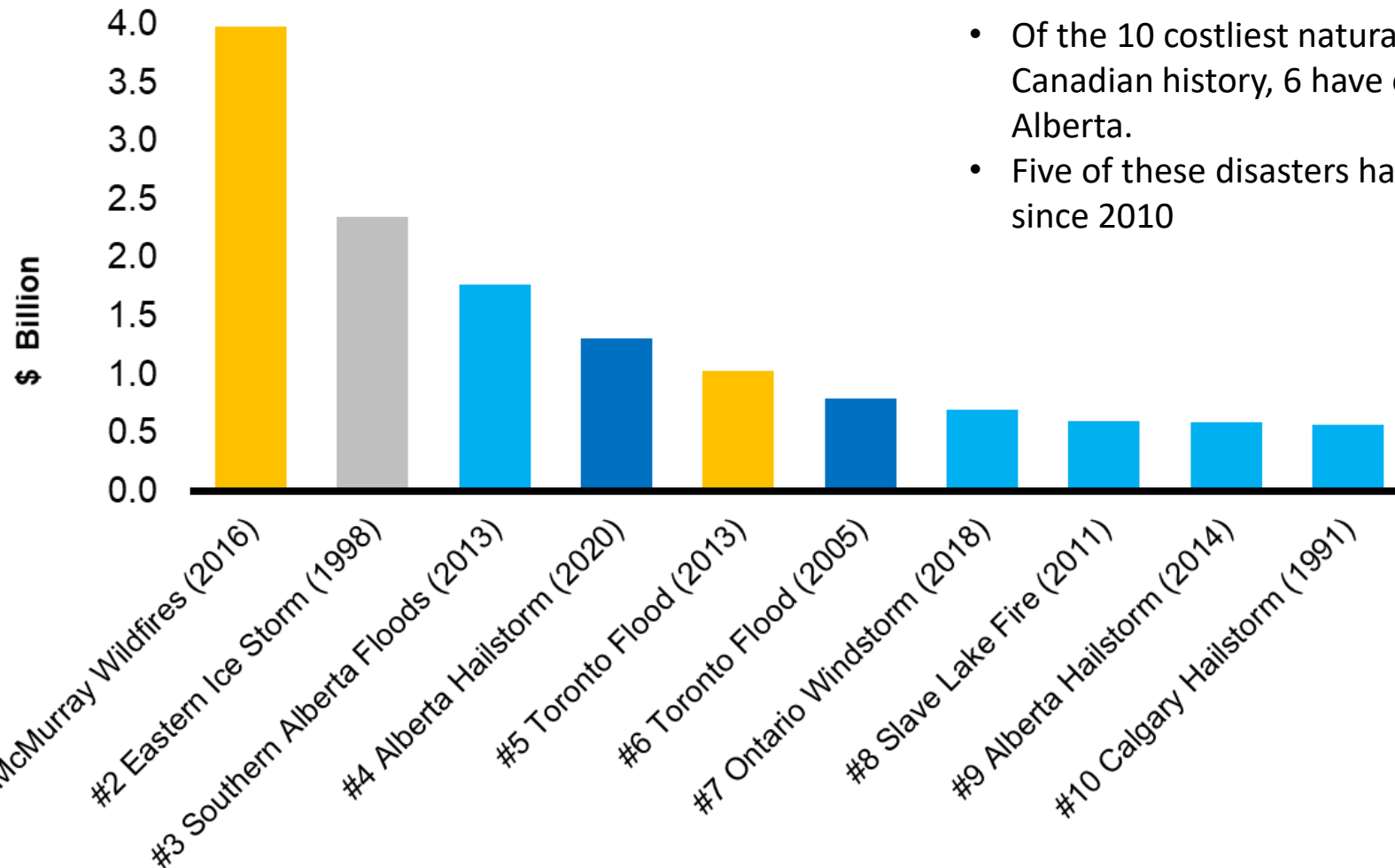
Costs of Catastrophic Losses have Risen Steadily: Canada

*A catastrophic loss = 1 event costing \$25 million or more in insured damages



Source: IBC Facts Book, PCS, CatIQ, Swiss Re, Munich Re & Deloitte
Values in 2019\$ CAN

Top 10 Most Expensive Natural Disasters in Canada



- Of the 10 costliest natural disasters in Canadian history, 6 have occurred in Alberta.
- Five of these disasters have happened since 2010

Loss & Loss Adjustment Expenses

Source:
IBC Facts Book, PCS, CatIQ, Swiss
Re, Munich Re & Deloitte
Values in 2019 \$ CAN

Factors Affecting Commercial Insurance

Commercial markets have been complicated and made challenging by factors including:



Low interest rates – current market conditions have seen low interest rates for an extended period. Insurers use interest rates on investments to generate revenue.



Global events and Reinsurance – An insurance company commonly purchases reinsurance to help transfer the risk from a major catastrophic event. Significant events around the world can impact reinsurance costs which in turn could have an affect on insurers across Canada.

Addressing Difficult Market Conditions

IBC is working to address issues in the commercial market and has:

Established a National Taskforce on Commercial Insurance to hold roundtables across the country that will examine issues commercial customers are having. These discussions are ongoing.

Committed to Producing Special Reports based on the taskforce roundtables. The taskforce recently produced a **mid-term report** detailing suggestions and outcomes from roundtables in Edmonton and Vancouver, and will publish a final report in early 2021.

Hired a Risk Manager to work on behalf of our industry to help condo corporations that are having trouble acquiring insurance. A Business Insurance Action Team (BIAT) pilot project is underway and looking to expand this program nationally.

IBC's Business Insurance Helpline

People who have questions about insurance can contact our business insurance helpline or visit:

businessinsurancehelp.ca

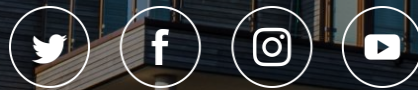
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YOU



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