

# National Commercial Insurance Task Force: Final Report **Executive Summary**



The National Commercial Insurance Task Force was created to address consumer concerns about the availability and affordability of commercial insurance.

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## Challenges and Contributing Factors

According to a 2020 [Deloitte report](#) commissioned by IBC, the Canadian commercial insurance market had started to “harden” in 2019, meaning that rates had risen at the same time as the market was experiencing reduced underwriting capacity. Underwriting capacity is the maximum liability an insurance company agrees to assume from writing policies. Underwriting capacity is limited by government regulation as well as inherent business risk. Insurers are required by law to maintain assets to be able to pay out claims to clients as needed to avoid insolvency.

Intense competition in certain segments of the commercial insurance market compounded by rising natural catastrophes and low interest rates over the last few years are some of the factors that have contributed to the current hard commercial market. Premiums have not kept up with rising

claims, leading to increasing loss ratios. As a result, some insurers have reduced their capital in particular market segments and/or tightened their underwriting guidelines.

The two main factors that led to this hardening were an increase in weather-related claims and record-low interest rates. As well, Canada’s low interest rate environment strained the industry’s investment incomes, putting upward pressure on premium rates.

Over the last five years, commercial insurance claims have become more frequent and costlier, and this has caused insurers to re-evaluate how much risk they are prepared to support. For example, supply began retrenching in the strata insurance market in British Columbia (BC) and the commercial condominium insurance market in Alberta a few years ago.



## The Devastating Impact of COVID-19

In 2019, the signs of a hardening market began to affect commercial clients in other industries such as the trucking, hospitality and non-profit sectors. Then COVID-19 struck in early 2020 and disrupted the commercial insurance market at the same time as it had disrupted financial markets, business sectors and economies around the world. COVID-19 presents such an unprecedented challenge for the property and casualty (P&C) insurance industry that it is difficult to predict how long this situation will last or what other industries may be affected.

## The Industry Response in 2020

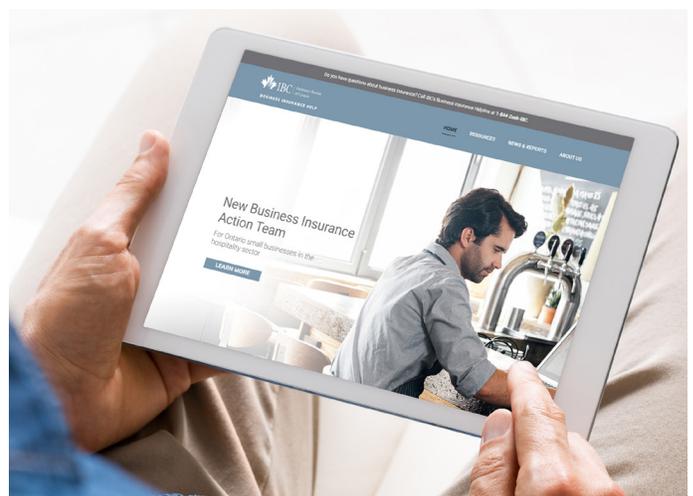
To respond to this difficult market, the P&C insurance industry, through IBC, struck this Task Force with representation from the insurance industry and business sectors. The Task Force's mandate includes information gathering, education and full reporting to the insurance industry, governments and commercial stakeholders on solutions to consumer concerns. But the industry didn't wait for the Task Force to complete its work before taking steps to help its commercial insurance clients. Since the start of the pandemic, the insurance industry provided more than \$2.4 billion in personal and commercial insurance relief to help Canadians impacted by the pandemic. These efforts continue.

IBC quickly developed a helpline and websites with information for businesses and organizations to learn more about their commercial insurance, including specific information about condominium or strata commercial insurance.

As well, any business within Canada can connect with a professional risk manager through IBC's toll-free helpline to get answers to insurance questions and discuss options tailored to their business needs. These risk managers work with brokers of record to help businesses develop risk management plans if they are struggling to find insurance. IBC has also put in place a risk management team that is specialized in the condominium/strata market to help commercial insurance consumers in that market find insurance.

In November 2020, the industry came together to create a new Ontario-based Business Insurance Action Team (BIAT) whose aim is to help small business owners find the insurance they need to continue operating. BIAT was developed in response to a number of factors unique to the province's hospitality sector at the time.

The Task Force also released a [Midterm Report](#) focused specifically on the challenges facing the condominium/strata insurance market and providing recommendations to help commercial insurance clients in that sector.





## Task Force Recommendations at a Glance

Based on the findings of the five roundtable discussions held throughout 2020, the Task Force produced a comprehensive list of sector-specific recommendations for improving the commercial insurance market in the short, medium and long terms.

- Among the recommendations are that the insurance industry, governments, and businesses and organizations in affected sectors continue to share information and work together toward sector-specific solutions for commercial insurance consumers.
- Other recommendations focus on joint advocacy by insurers and specific sectors, such as trucking, to advocate for legislative reforms that would positively impact insurance availability and affordability in those sectors.
- There are also several recommendations focused on how insurers, businesses and organizations can work together to improve risk management within specific sectors in a way that positively impacts insurance availability and affordability.

## NEXT STEPS

The insurance industry will continue to work with businesses, organizations, consumers, governments and sector leaders to identify sector-specific and regional solutions for commercial insurance consumers. The insurance industry, through IBC, has committed to providing a follow-up report in spring 2022. The follow-up report will include an update on engagement with governments and stakeholders on the commercial insurance challenges in specific sectors, progress on the implementation of the Task Force's recommendations, and any impact on availability and affordability of commercial insurance for businesses and organizations. IBC will also continue to engage with Task Force members regularly in an effort to identify emerging issues and collaborate on potential solutions.

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## About Us

Insurance Bureau of Canada (IBC) is the national industry association representing Canada's private home, business and auto insurers. Its member companies make up 90% of the property and casualty (P&C) insurance market in Canada and employ 128,000 Canadians.

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