

Commercial Insurance: Absorbing the shocks along the road to sustained economic growth

Commercial insurance acts as the bedrock for the Canadian economy. Insurers protect the economic system from failure by assuming the risks inherent in the production of goods and services. This transfer of risk frees insured companies from the potentially paralyzing fear that an accident or mistake could cause large losses or even financial ruin.

The ability of Canada's property and casualty insurance industry to act as a financial shock absorber is heightened in challenging times like today, as businesses feel the impact of an inflationary environment and periods of lower economic growth, illustrated most plainly by price shocks and the subsequent cost of living crisis. In such a landscape, insurers have a unique perspective and, indeed, responsibility in absorbing the impact for both consumers and the wider economy.

There are approximately 1.3 million businesses in Canada. All have one thing in common: Without the right insurance coverage, each could be wiped out by a disaster or a lawsuit.

To cover the risk involved in different kinds of businesses, the commercial insurance sector sells a variety of coverages and dozens of specialty products. Since the first fire insurance policies were written in the 1700s, the insurance industry has responded to new types of risk by creating new coverages to protect its policyholders and carving

out niche products to respond to the needs of specific businesses. Recent examples of this are technology errors & omissions and cyber-risk liability to address risks involved in such businesses as personal information data processing.

P&C insurers support billions of dollars of claims each year. In servicing claims, the insurance industry provides direct benefit to not only the insured business, but also an extensive value chain of local businesses, enabling them to provide jobs and pay taxes that support the local economy.

Financial first responders

Insurers make every effort to restore claimants and beneficiaries quickly and reliably. This lessens the costs of unexpected losses and benefits even among those not directly affected by a loss.

Risk mitigators

Insurers sponsor and promote knowledge and activities that save lives and protect and preserve property.

Capital Protectors

Insurers are not as susceptible to short-term liquidity crunches as are other financial services firms. Reinsurers further stabilize insurer exposure to loss by spreading or diversifying transferred risk.

Partners in Social Policy

Insurance is an instrument of social policy. By providing significant social benefits, such as compensation for injuries at work and rebuilding property after catastrophes, insurance contributes to the rebuilding of people's livelihoods, as well as to the economy as a whole.

Sustainers of the Supply Chain

Insurance protects economic interdependence among businesses by insuring supply chains, which become increasingly vulnerable with more complex technological components.

Capital Infusers

Insurance reduces the need for "rainy day funds." Rather than having to set aside a relatively large amount of money to pay for unexpected losses, businesses can buy insurance for a relatively small premium, thereby putting more working capital into the economy, producing and consuming more goods and services to create a higher standard of living.

Community Builders

Insurers are among the largest investors in the world, purchasing private and municipal bonds that help communities grow and thrive.

Infrastructure Enablers

Insurance enables economy-boosting construction projects and events to take place.

Innovation Catalysts

Insurance allows innovators to take the risk that's needed to spur modernization. For more than 300 years—including every industrial revolution—insurance has been a critical driving force, and thus is central to economic development and growth.

Credit Facilitators

Insurance is critical to the borrowing process. With insurance, lenders are more likely to provide funding for large purchases, consumer durables and to businesses, and charge lower interest rates for these loans.

KEY FACTS

- Canadian P&C insurance industry employed about **140,500** workers in 2022, close to 1% of the nation's workforce.
- Over the past 5 years, P&C insurers have supported an average of **\$14 billion** annually in claims that helped Canadian businesses across the country recover from losses.
- In 2022, the P&C insurance industry invested about **\$22 billion** in provincial, municipal, public authority, and school bonds, and another **\$17 billion** in federal government bonds. These bonds accounted for 56% of total bond investment.
- In 2021, property and casualty (P&C) insurers contributed **\$13.4 billion** in taxes and levies to government treasuries across Canada. It pays almost **\$2.6 billion** in premium taxes to provincial governments.

If you have any questions about your commercial insurance policy or want more details about the current market conditions, visit www.businessinsurancehelp.ca or call **1-844-2ask-IBC**.