

2023 Canadian Insurance Market: Disruptors and Trends to Monitor

The insurance marketplace is hardening across most sectors as insurance companies re-evaluate their books amid many challenges for the industry.

Spiraling inflation, supply chain issues and the effects of climate change are all growing concerns, and insurers may increase premiums or modify policies in response. As such, employers should carefully review policy terms and conditions to make sure they're adequately covered. Additionally, they may benefit from understanding the trends likely to impact insurance premiums this year.

TRENDS TO MONITOR:

INFLATION



Rising inflation is affecting the price of everything, meaning it's getting more expensive for insurers to cover incurred claims. Consequently, insurance premiums—including reinsurance rates—are increasing in many cases. In fact, the global price for property catastrophe reinsurance is 37% higher than last year on average, according to Howden. In addition to re-evaluating prices, insurers may seek to restructure their policy offerings. This means policyholders should review their coverage for any potential gaps that might emerge.

UNDERINSURANCE



The chance of being underinsured greatly increases when an organization reduces coverage to save on costs elsewhere; this also increases the potential for severe losses. Within the commercial property insurance space, reducing coverage could be particularly disastrous due to the soaring cost of repairing and rebuilding structures following losses. As such, employers should work with their insurance professionals to review policies—including sums insured—to ensure they have sufficient coverage levels.



OPPORTUNIST CYBER-ATTACKS

Ongoing geopolitical tensions may increase the frequency of cyberattacks in 2023. For instance, scams encouraging donations to Ukrainian humanitarian efforts amid Russia's invasion may catch employees off guard. Additionally, deepfake attacks—an image or video convincingly altered to misrepresent someone—are becoming increasingly sophisticated as technology advances. These, and other factors, could increase cyber insurance premiums, particularly in organizations with poor cybersecurity controls.



EXTREME WEATHER

Catastrophic weather events are causing market disruptions everywhere. In particular, Hurricane Ian led to significant catastrophic losses for many large carriers and reinsurers, affecting the entire industry across the globe. Furthermore, floods, droughts and storms could cost Canada's economy \$139 billion over the next 30 years, according to a report by global engineering and architecture services firm GHD. With unpredictable weather, it's harder for insurers to predict future risks and negotiate reinsurance treaties. As such, associated costs may be passed onto policyholders.



DRIVER SHORTAGES

Fleets are being hit by driver shortages, with approximately 26,000 vacancies in the trucking industry, according to the Canadian Trucking Alliance. This could lead to a variety of consequences across sectors. For one, employers may find it difficult to source well-qualified drivers for fleet vehicles, leading to accidents, delays and other related issues. For another, supply chains might see further disruption as the trucking industry struggles to meet demands, requiring employers to find alternative supply sourcing.

If you have questions specific to your business, or would like additional information, please reach out to your Lloyd Sadd Advisor.

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