

Insuring Main Street

An analysis of Canada's small business insurance market

Research report

December 2024



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Foreword

The Canadian Federation of Independent Business (CFIB) monitors the sentiments of small and medium-sized enterprises (SMEs) across Canada through regular member surveys. While rising costs of taxes, regulations and wages remain major concerns for many SMEs, we have seen a notable increase over the past year in the number of members identifying insurance premiums as a top cost constraint for their business.

This report explores the availability and affordability of the insurance market for SMEs, focusing on their experiences in obtaining both the commercial and personal insurance coverage needed to conduct their operations.



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Vice-President, National Affairs,
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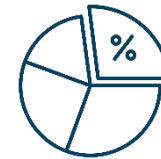
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Highlights



Among various operational costs, insurance expenses have emerged as a particularly heavy burden for business owners



More than 6 in 10 of CFIB's small business members obtain their insurance from just three companies



More than 50% of small business owners are dissatisfied with insurance availability and prices, but most are satisfied with the overall level of customer service



Half of Canadian business owners have experienced an increase of 10% or more in their insurance premiums over the last 12 months



For a typical SME, a 10% increase in annual total insurance costs would equate to approximately \$1,500 more in insurance premiums



Introduction

Highlights from this section:

- Insurance costs now rank among the most burdensome expenses for Canadian small businesses
- The share of small businesses experiencing difficulties with insurance costs has been trending up and away from its historical average

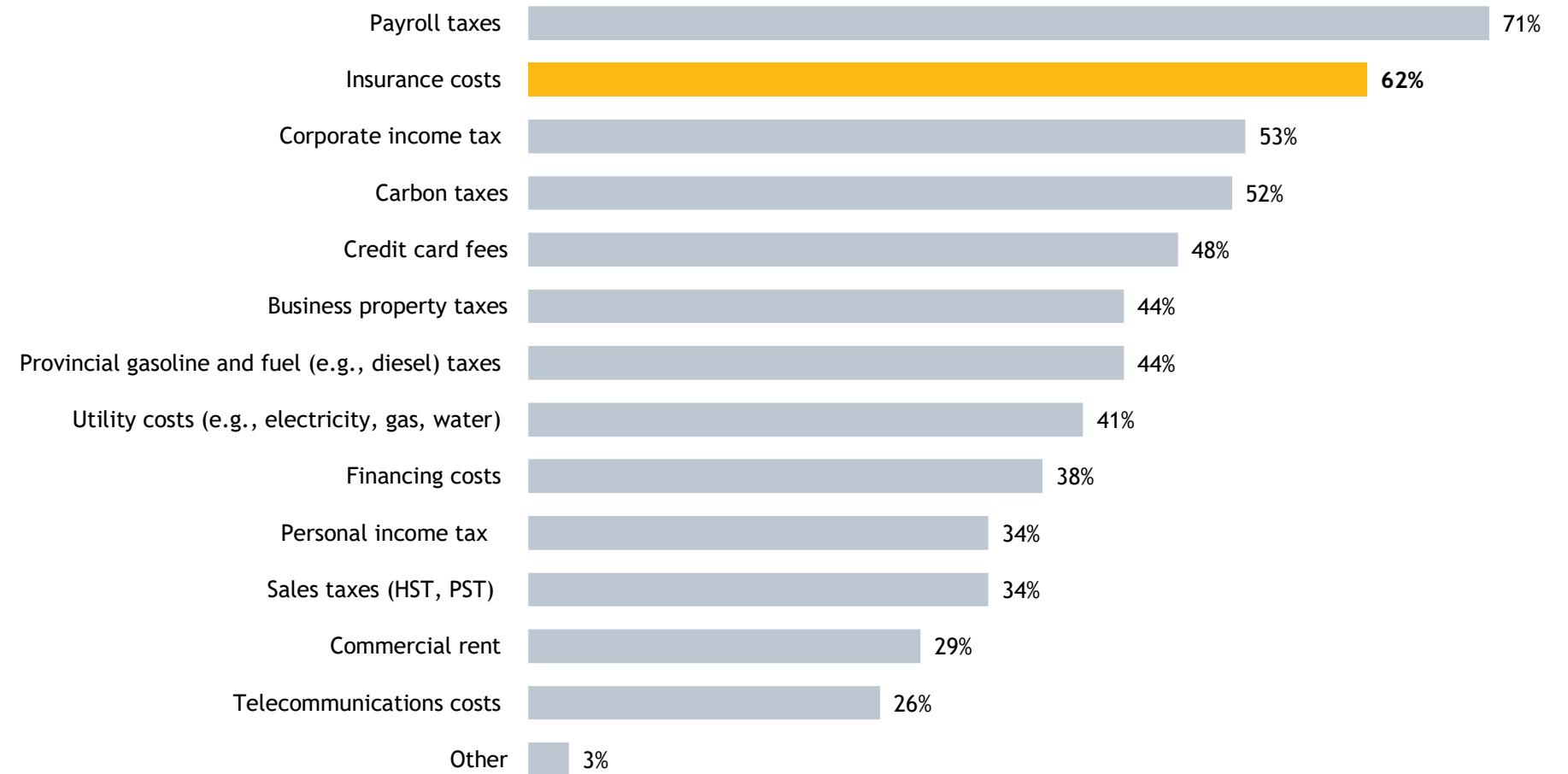
Insurance: Vital for SMEs but increasingly costly

Business insurance provides SMEs with coverage against a variety of risks, such as liability claims, property damage, financial losses, and cyber attacks. When an unforeseen event occurs, having the right insurance coverage is critical.

A recent CFIB survey found that insurance costs rank among the most harmful taxes and fees to small businesses’ operations, with 62% of business owners identifying them as a significant burden, second only to payroll taxes (figure 1).

Figure 1

Insurance costs rank as one of the most harmful costs for Canadian small businesses



Source: CFIB, Your Voice - June 2024 survey, June 4-19, 2024, n=2,035.

Question: Which of the following taxes and costs are the most harmful to the operation of your business? (Select all that apply)

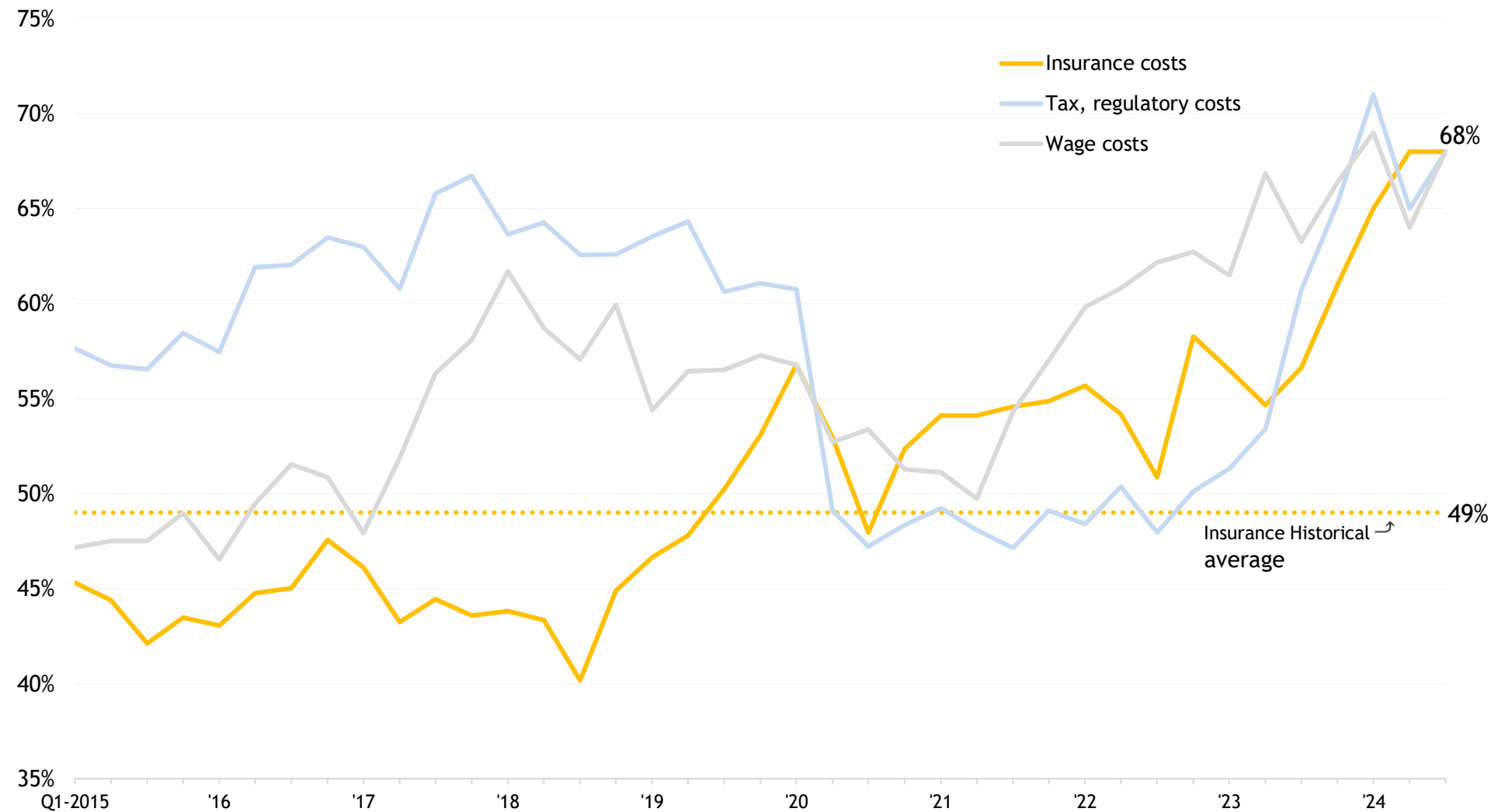
Rising insurance costs: A critical challenge for SMEs

Historical data from CFIB's Business Barometer®, a monthly survey that tracks business operating conditions, reveals that a significant share of SMEs are currently facing challenges related to insurance costs. Now one of the most cited cost pressures, along with tax/regulatory costs and wage costs, insurance costs only recently emerged as a more widespread concern. In the third quarter of 2024, 68% of SMEs reported insurance costs as a primary concern. Similar levels of concern were expressed with tax and regulatory expenses (68%) and wage costs (68%) (figure 2).

Small business owners' growing concern around rising insurance costs requires an in-depth examination of the underlying factors driving this trend. The most likely contributors include market dynamics within the insurance industry, the increasing frequency of natural disasters leading to higher payout demands, the regulatory environment, and current economic conditions that impact risk assessment and insurance pricing.

Figure 2

The share of Canadian SMEs reporting **challenging insurance costs** has significantly risen in recent years



Source: CFIB, Your Business Outlook Survey, Q1-2015 - Q3-2024, quarterly data.
 Question: What types of input costs are currently causing difficulties for your business? (Select all that apply)



Methodology

This report provides a detailed analysis of the different types of insurance costs incurred by SMEs and examines the cost trends over the past 12 months. This in-depth analysis aims to shed light on the financial pressures SMEs face regarding insurance.

To support its analysis, CFIB conducted surveys among small business owners to better understand their relationship with insurance:

- In March 2024, CFIB conducted a special survey among small business owners to gather insights into their experiences with insurance for their business, including both commercial and personal insurance costs.

The survey did not include an assessment of healthcare benefit insurance or life insurance.

- The Your Voice - August 2024 omnibus survey gauged business owners' opinions on various pressing issues, including insurance.

This report provides a unique perspective on the small business insurance landscape in Canada by examining the types of insurance SMEs are acquiring and from whom they are purchasing it. It also provides valuable insights into the associated costs.

Analysis of the SME insurance market

Highlights from this section:

- Three insurance companies serve more than six in ten of all SMEs
- Business owners mainly secure their insurance coverage through brokers
- Commercial insurance coverage for general liability, property, and auto are the most common types of insurance products purchased by SMEs



Top insurance providers for small businesses in Canada

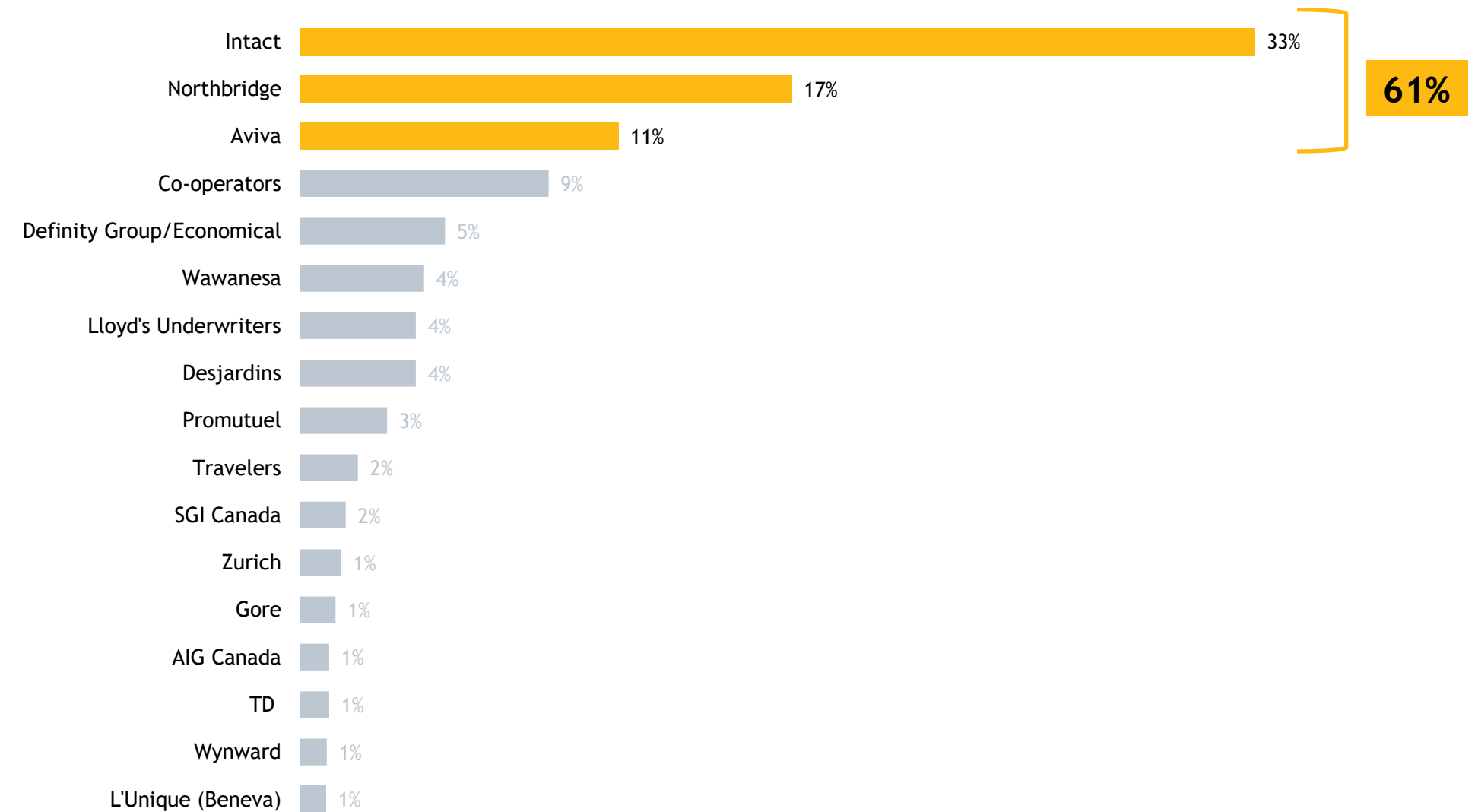
Based on our survey, Intact is the most popular primary insurance provider among CFIB’s members, serving 33% of SMEs, followed by Northbridgeⁱ at 17% and Aviva at 11% (figure 3). Co-operators and Economical round out the top five providers, covering 9% and 5% of SMEs, respectively.ⁱⁱ Although many insurers are established within the Canadian market, only a few appear to dominate, as more than six in ten small businesses obtain at least some of their primary insurance from just three companies.

It should be noted that the market share data usually relied upon by the insurance industry paints a slightly different picture from CFIB’s observations. In Canada, commercial insurance companies are required to report various financial, operational, and regulatory metrics to ensure compliance with the Office of the Superintendent of Financial Institutions (OSFI).ⁱⁱⁱ This commercial insurance market data is primarily collected and sold by a firm^{iv} that focuses on aggregating the number of direct written premiums (DWP).^v This commercial insurance data is not broken down by demographics, which means that all client organizations—whether for-profit businesses, non-profits, or other entities—are grouped together for market share statistics.

While this industry data provides a broad overview of all commercial insurance being purchased, CFIB’s data is uniquely focused on SMEs. For more details as to how the datasets differ, see appendix 1.

Figure 3

The Canadian insurance market shows **three big players** serve more than six in ten of all SMEs



Source: CFIB, Insurance Survey, March 18 - May 9, 2024, n = 1,994.

Question: Which of the following is your business’s primary insurance provider?

Note: The data has been rebased to exclude the “Other provider” responses (757), as essentially all of these were identifying brokers. Respondents who didn’t know or were unsure (243) were also excluded. Respondents who selected multiple answers were excluded as well.

Top five insurers: market share by sector and business size

By sector, Intact holds the highest share in the arts, recreation, and information sector (53%), followed by natural resources (48%), and transportation (42%) (table 1). Northbridge and Aviva hold strong positions in various sectors, with Northbridge capturing 23% of the market in transportation and 21% in manufacturing. Aviva holds 19% of the market in arts, recreation, and information, as well as 16% in natural resources and construction.

This trend is similar across business sizes, with Intact holding the largest market share. Northbridge holds the second position with a strong presence, particularly among medium-sized businesses, at 28%. A similar pattern is observed across all provinces, with a few insurance companies dominating the market.

Table 1

Market share and ranking of top five insurers for SMEs (by sector and business size, Canada)

Overall	Intact 1 33%		Northbridge 2 17%		Aviva 3 11%		Co-operators 9%		Economical 5%	
By Sector										
Arts, Rec. & Info.	1	53%	4	5%	2	19%	4	5%	*	0%
Transportation	1	42%	2	23%	3	14%	*	1%	4	5%
Fin., Ins., Real E. & Leas.	1	38%	2	13%	3	9%	5	11%	*	0%
Manufacturing	1	38%	2	21%	3	11%	4	5%	5	5%
Natural Resources**	1	48%	3	12%	2	16%	*	4%	*	0%
Construction	1	31%	2	18%	3	16%	4	9%	5	9%
Wholesale	1	35%	2	20%	3	14%	4	4%	5	4%
Agriculture	1	33%	*	4%	*	4%	2	20%	3	7%
Prof. Services	1	33%	5	10%	2	12%	3	10%	*	6%
Pers., Misc. Services	1	32%	2	18%	3	15%	4	8%	5	7%
Social Services	1	30%	4	9%	4	9%	2	14%	*	7%
Ent. & Admin. Mgmt.	1	33%	2	12%	4	7%	5	5%	4	7%
Retail	1	32%	2	21%	4	8%	3	9%	*	5%
Hospitality	1	25%	3	14%	4	9%	2	18%	*	1%
By Business Size										
Micro-businesses (0-4)	1	35%	3	12%	4	7%	2	14%	5	6%
Small businesses (5-49)	1	34%	2	20%	3	13%	4	6%	5	5%
Medium-sized businesses (+50)	1	28%	1	28%	3	17%	*	1%	*	0%

* Indicates that the insurance is not among the top five options for this sector or business size. ** Small sample size <40

Source: CFIB, Insurance Survey, March 18 - May 9, 2024, n = 1,994.

Question: Which of the following is your business's primary insurance provider? (Select one)

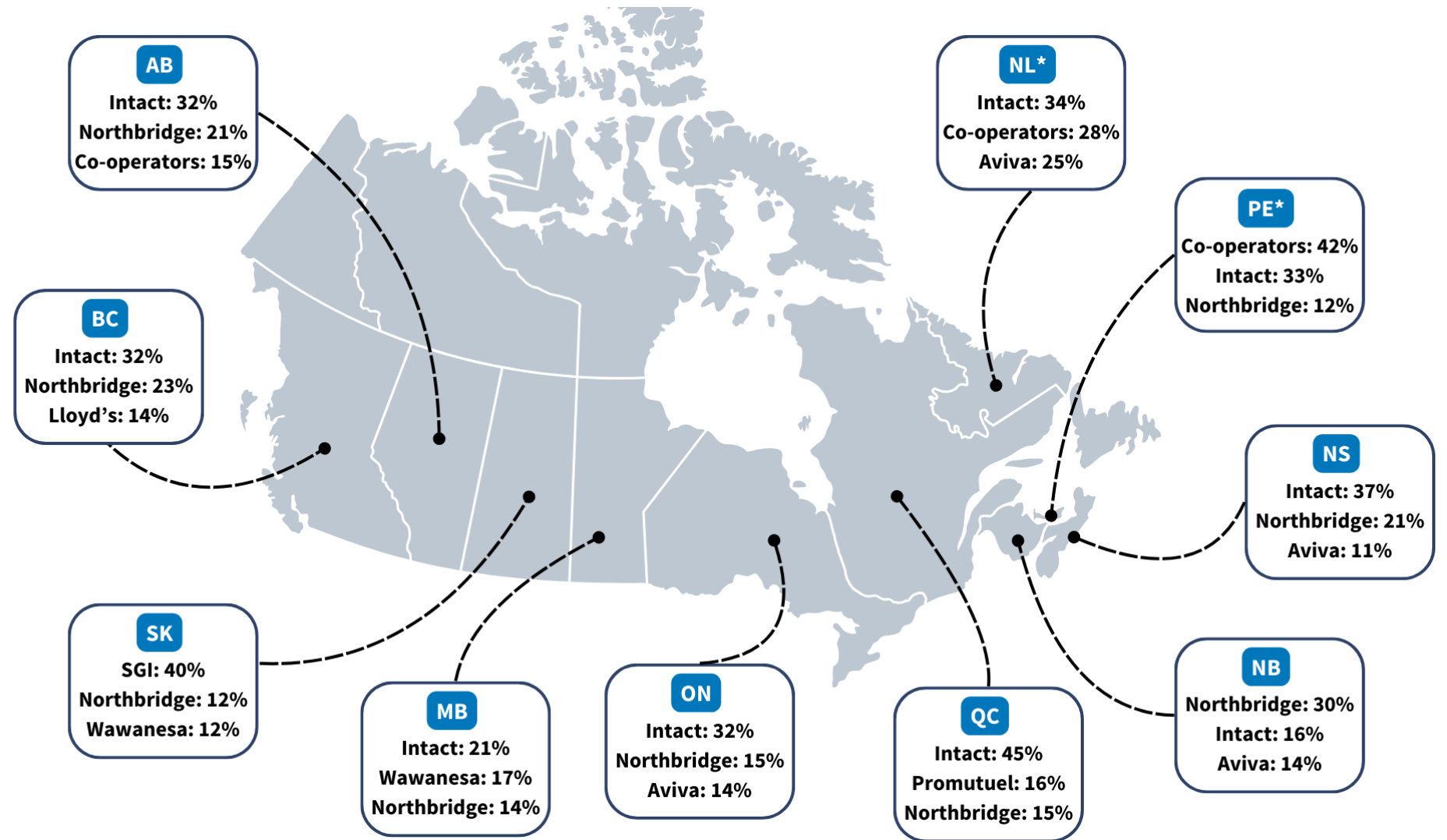
Note: The data has been rebased to exclude the "Other provider" responses (757), as essentially all of these were identifying brokers. Respondents who did not know or were unsure (243) were also excluded. Respondents who selected multiple answers were excluded as well.

Top three insurers by province

Intact is the market leader in most provinces, except in Saskatchewan and New Brunswick where SGI and Northbridge respectively hold the top spot. Three primary insurance providers in each province typically control about two-thirds of the market. This environment means that a small number of companies hold a substantial market share.

While understanding the various insurers used by SMEs is valuable, it is also crucial to comprehend how SMEs obtain their insurance coverage and which types of insurance they use most frequently.

Figure 4
Provincial market penetration of insurance providers (top three by province)



*Small sample size <40.

Source: CFIB, Insurance Survey, March 18 - May 9, 2024, n = 1,994.

Question: Which of the following is your business's primary insurance provider? (Select one)

Note: The data has been rebased to exclude the "Other provider" responses (757), as essentially all of these were identifying brokers. Respondents who didn't know or were unsure (243) were also excluded. Respondents who selected multiple answers were excluded as well.

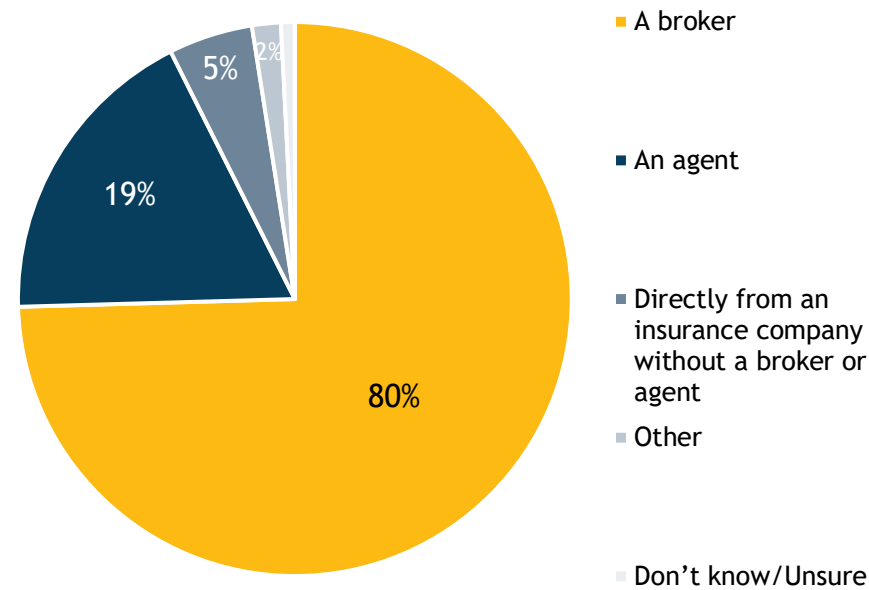
Navigating insurance coverage options

When seeking insurance coverage, the vast majority of small businesses rely on the advice of an insurance broker (80%). While SMEs have other options, including purchasing it directly from the insurance company (5%) or working with an agent (19%), most use a broker to help evaluate insurance options. This pattern is consistent across provinces, industries, and company sizes.

Insurance coverage purchased by small businesses

The most common types of insurance held by SMEs are commercial coverage for general liability (92%), property (84%), and auto insurance (69%) (figure 6). Medium-sized businesses and businesses from the transportation, agriculture, and construction sectors were most likely to have all three types of insurance coverage (appendix 2).

Figure 5
Eight in ten business owners obtain their insurance coverage through a **broker** in Canada



Source: CFIB, Insurance Survey, March 18 - May 9, 2024, n = 3,617.
Question: How do you typically acquire insurance or purchase it for your business? (Select as many as apply)

Figure 6
General liability and property commercial insurance are the **most common** types of insurance used by Canadian SMEs



Source: CFIB, Insurance Survey, March 18 - May 9, 2024, n = 3,520.
Question: What main types of insurance do you currently have for your business? (Select as many as apply)

Business owners' perspectives on insurance

Highlights from this section:

- Half of Canadian business owners are dissatisfied with the availability of insurance
- About half of SMEs renewed their insurance policies without considering alternatives, but for those who explored the market, 75% ended up staying with their current provider
- Three quarters of business owners are dissatisfied with the price levels of insurance premiums in Canada
- Business owners are overall satisfied with the customer service received from their insurance provider(s)



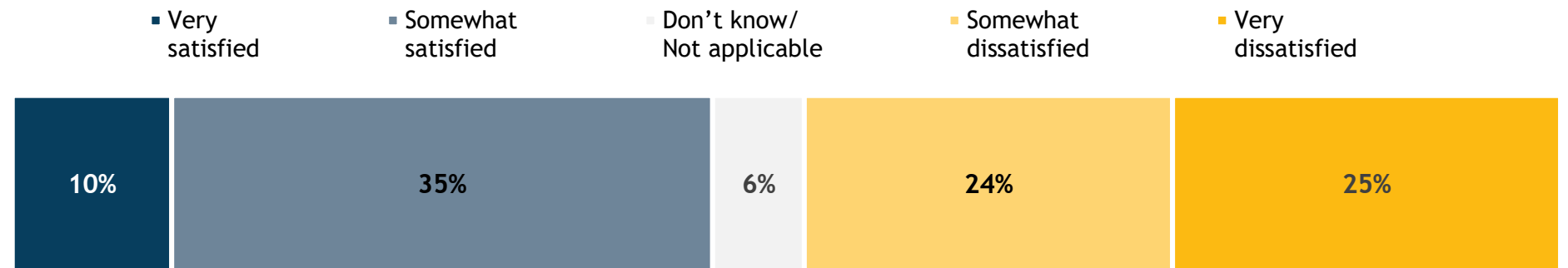
SMEs express dissatisfaction over limited insurance options

Despite the fact that there are numerous insurance providers in Canada, our analysis shows that many do not offer comprehensive coverage across all industries and regions, and few are equipped to meet the specific needs of SMEs. Our survey results underscore a widespread dissatisfaction among small businesses regarding insurance options (figure 7). Nearly half of business owners are dissatisfied with the available insurance options, with 24% being somewhat dissatisfied and 25% very dissatisfied.

The highest level of dissatisfaction was observed in the hospitality (68%), arts, recreation, and information (67%), and transportation (66%) sectors. The level of dissatisfaction remains relatively consistent across different business sizes, fluctuating around the national average (appendix 3).

Figure 7

Nearly half of business owners are dissatisfied with the available insurance options in Canada



Source: CFIB, Insurance Survey, March 18 - May 9, 2024, n = 3,378.

Question: Please rate your overall satisfaction with the following aspects of the insurance industry over the last 12 months: Availability of insurance options/choices for your business.

Most SMEs remain with their insurance providers, often due to a lack of alternatives

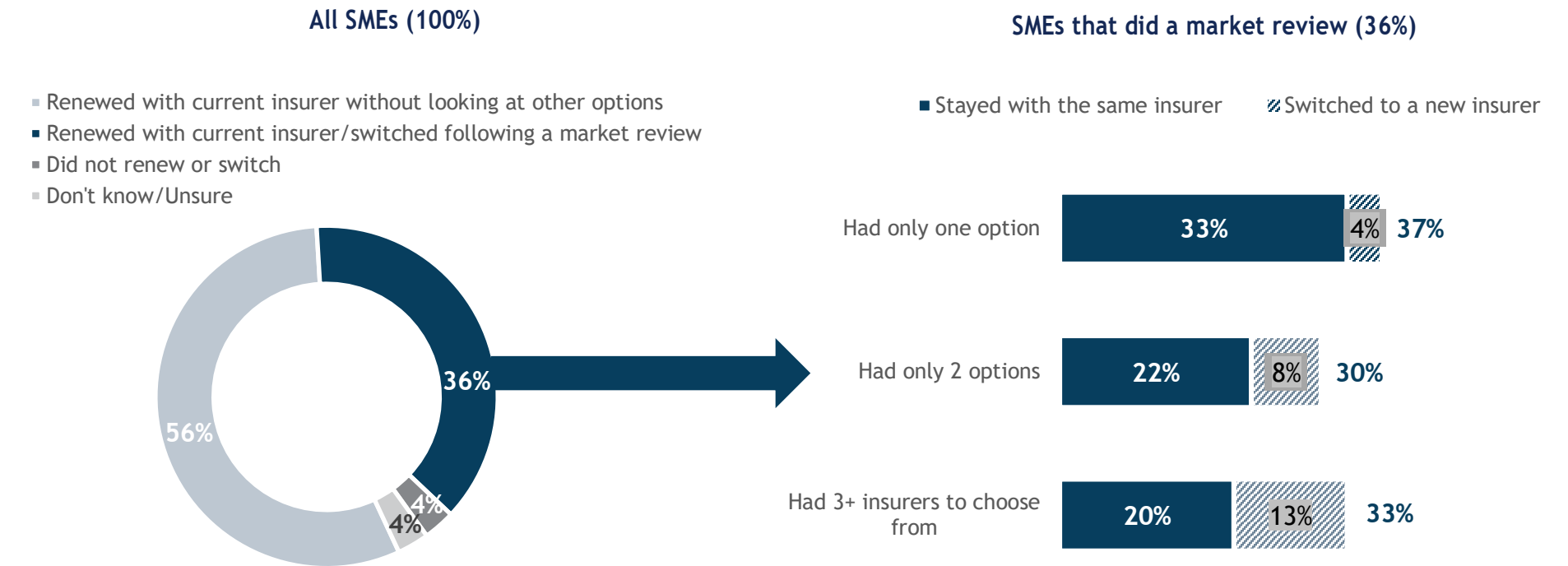
Many business owners have expressed frustration with the limited insurance options available to them, despite often reporting positive experiences with customer service. To delve deeper into their experiences, a follow-up survey assessed SMEs' perspectives of their insurance renewals over the past year.

A significant majority of SMEs (56%) renewed their policies with their existing providers without exploring alternative options (figure 8). However, 36% did conduct a market review and either renewed with their current provider or switched to a new one.

Among those who conducted a market review, a substantial proportion (75%) renewed with their current provider. Overall, 37% had only one option, 30% had two options, and only 33% reported having at least three choices. SMEs that were limited to one option were most concentrated in the manufacturing (48%), transportation (44%), and hospitality (43%) sectors (appendix 4).

Figure 8

SMEs' experiences with insurance renewal in the past 12 months



Source: CFIB, Your Voice - August 2024 survey, August 8 - 21, n= 2,283.

Question: Which of the following would best describe the insurance renewal situation your business was in during the last 12 months? (Select one)

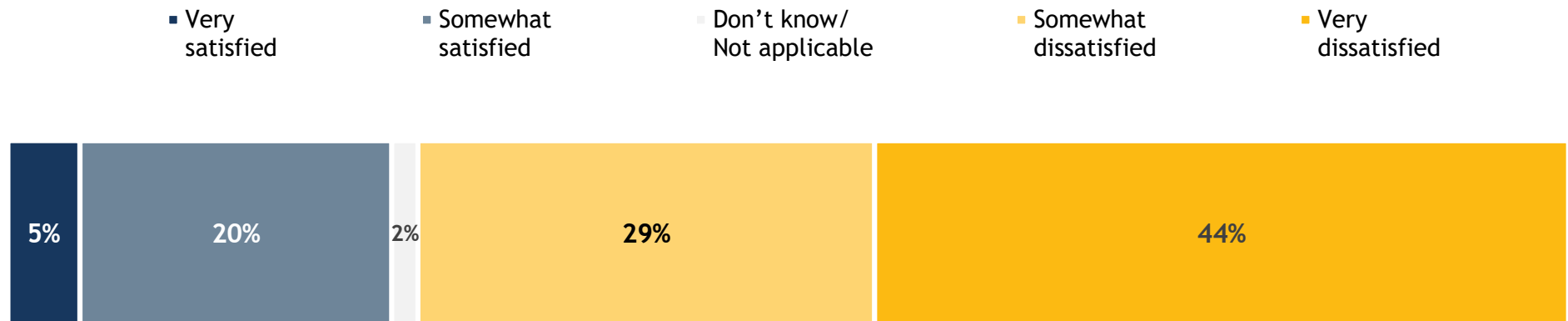
Insurance affordability: A concern for SMEs

About three quarters of SMEs are dissatisfied with insurance premiums and related fees. Those in the arts, recreation, and information (86%), natural resources (83%), manufacturing (82%) and hospitality (80%) sectors are the least satisfied with insurance costs (figure 9 & appendix 5).

Small businesses in Newfoundland and Labrador showed the highest level of dissatisfaction with insurance costs (84%), which is understandable given that they have some of the highest tax rates on premiums (appendix 6). The level of dissatisfaction with insurance premiums remains relatively consistent across all other regions of Canada and by all business sizes, fluctuating around the national average.

Figure 9

About three quarters of SMEs are dissatisfied with insurance premium levels in Canada



Source: CFIB, Insurance Survey, March 18 - May 9, 2024, n = 3,365.

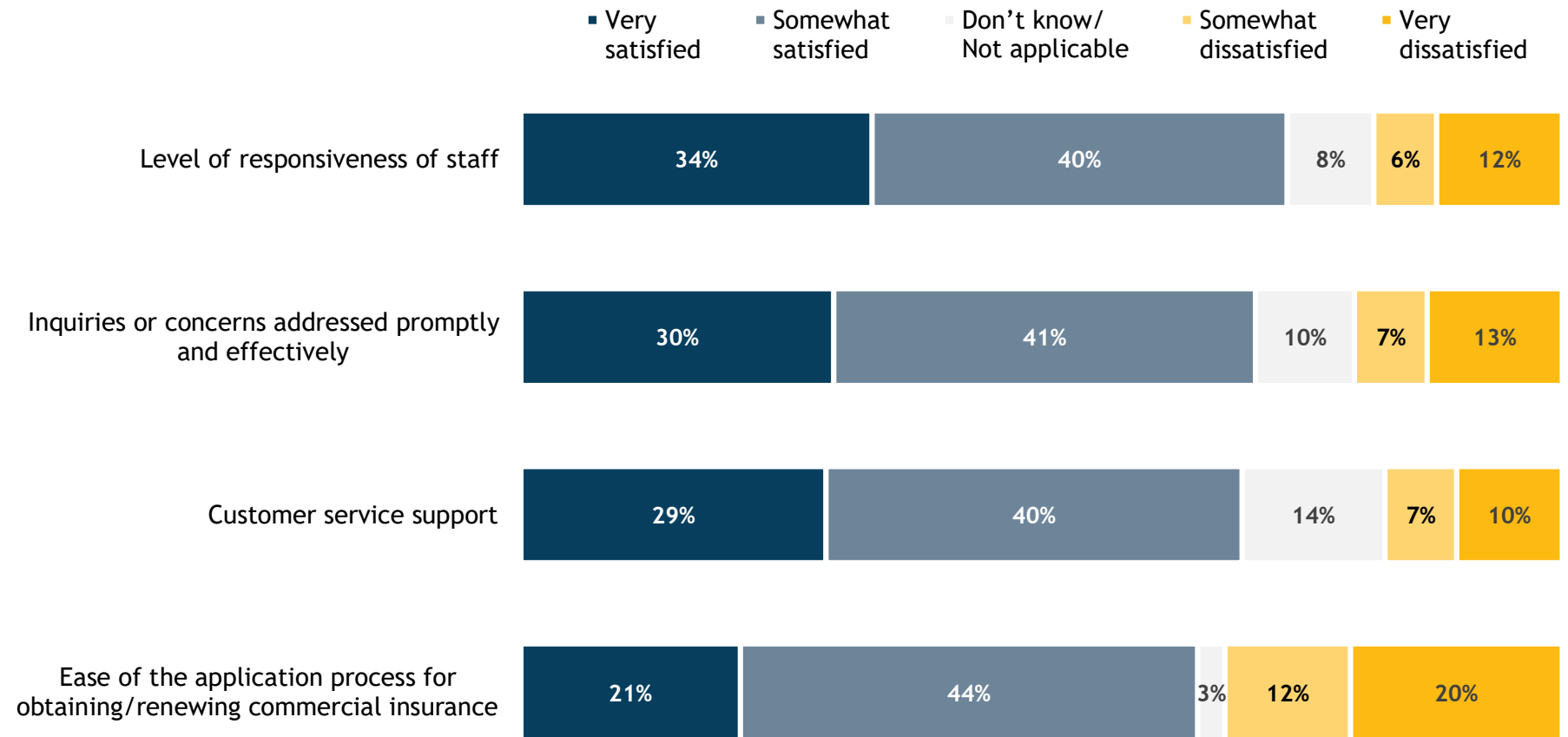
Question: Please rate your overall satisfaction with the following aspects of the insurance industry over the last 12 months: Level of insurance premiums and other related fees.

Insurance companies deliver good customer service, but there is room for improvement

Beyond the availability and affordability of insurance, those that do obtain coverage are generally satisfied with the service they receive. In fact, 69% of business owners express overall satisfaction with the service they receive. Further, 74% of business owners report satisfaction with the responsiveness of insurance company staff, and 71% are pleased with how promptly and effectively their inquiries or concerns are addressed. However, one in three SMEs are dissatisfied with the process of obtaining or renewing their insurance (figure 10).

Figure 10

SMEs' perspectives on the customer service provided by insurance companies in Canada



Source: CFIB, Insurance Survey, March 18 - May 9, 2024, n = 3,365 to 3,378.

Question: Please rate your overall satisfaction with the following aspects of the insurance industry over the last 12 months.

Business Owners' Perspectives on Availability and Affordability

“Commercial vehicle insurance costs are rising, and finding providers is challenging, leading to a lack of competitive rates in our industry. Despite having no claims in the past four years, we are deemed 'high risk' due to our industry. Premiums remain a significant expense for our small business.”

ON, Construcion

“Restaurant insurance is extremely difficult to obtain, and the cost has grown exponentially, making it one of our biggest expenses.”

BC, Hospitality

“Very challenging to get clarity on the policies that we need and ridiculously expensive!”

ON, Professional Services

“Cost is far too high. Not enough reasonable competition.”

ON, Retail

“Our industry (tire sales/service/storage) has only one option for insurance. We have no choice but to insure our business with one company, and are subject to their rate increases without having the ability to shop for different rates.”

QC, Retail

“Far fewer providers willing to offer coverages, and those that do are dropping coverage limits below what we require from some of our clients by contract. We are being forced to explore layered coverages from multiple providers to reach required minimum levels.”

NS, Arts, recreation and information

“Aggressive rate increases, and a lack of options.”

BC, Agriculture

“I pay over \$23,000 in insurance a year and when we flooded I received nothing. I have since changed my provider but still paying ridiculous prices.”

MB, Hospitality



Cost of insurance

Highlights from this section:

- Auto, property, and general liability commercial insurance have the highest median annual premiums
- Half of Canadian business owners have experienced an increase of 10% or more in their insurance premiums over the last 12 months
- For a typical SME, a 10% increase in total annual insurance costs would equate to approximately \$1,500 more in insurance premiums
- 8 in 10 business owners have not filed any insurance claims over the last year



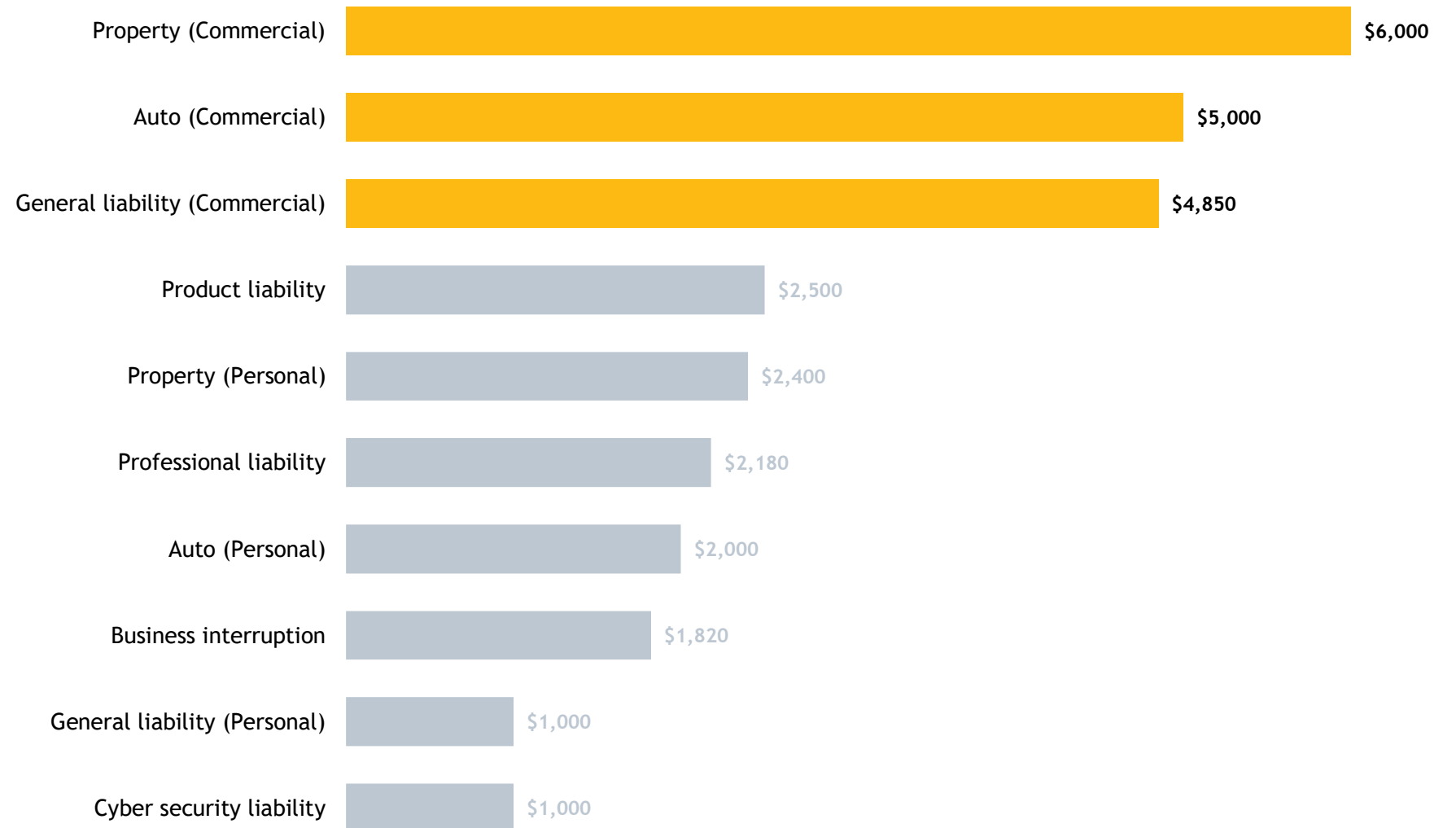
Insurance costs for SMEs: A significant financial burden

To gauge the approximate insurance costs for SMEs, our survey asked respondents to estimate their annual premiums for each type of coverage. As shown in figure 11, the three most common types of insurance for SMEs—commercial property (\$6,000), commercial auto (\$5,000), and commercial general liability (\$4,850)—are also the most expensive. The median premiums for these coverages are substantial, often adding considerable financial strain to small businesses.

Another burden for SMEs in certain provinces is the tax which is added onto insurance premiums. While small businesses in every province face an Insurance Premium Tax (IPT) on all insurance products, in some provinces a Retail Sales Taxes (RST) is also charged. Government taxes vary and can reach up to 20% of the insurance premium due to compounding effects, where one tax is applied on top of another (i.e., "a tax on a tax").^{vi} Specifically, the IPT can range from 3-5%, with some provinces also adding RST (appendix 6).

Figure 11

Annual total* premiums for Canadian SMEs are typically the highest for commercial auto, property, and general liability insurance



Source: CFIB, Insurance Survey, March 18 - May 9, 2024, n = 2,366.

Question: Roughly how much does your business pay annually in insurance premium(s) for each of the following?

*Note: The amounts used in the chart reflect the median answer from survey responses and are for the full annual payment made by the company, irrespective of its size or the value of insured risk.

Steep insurance premiums burden certain sectors

The median annual costs of insurance premiums for the three most common types of insurance vary by sector, reflecting specific industry risks.

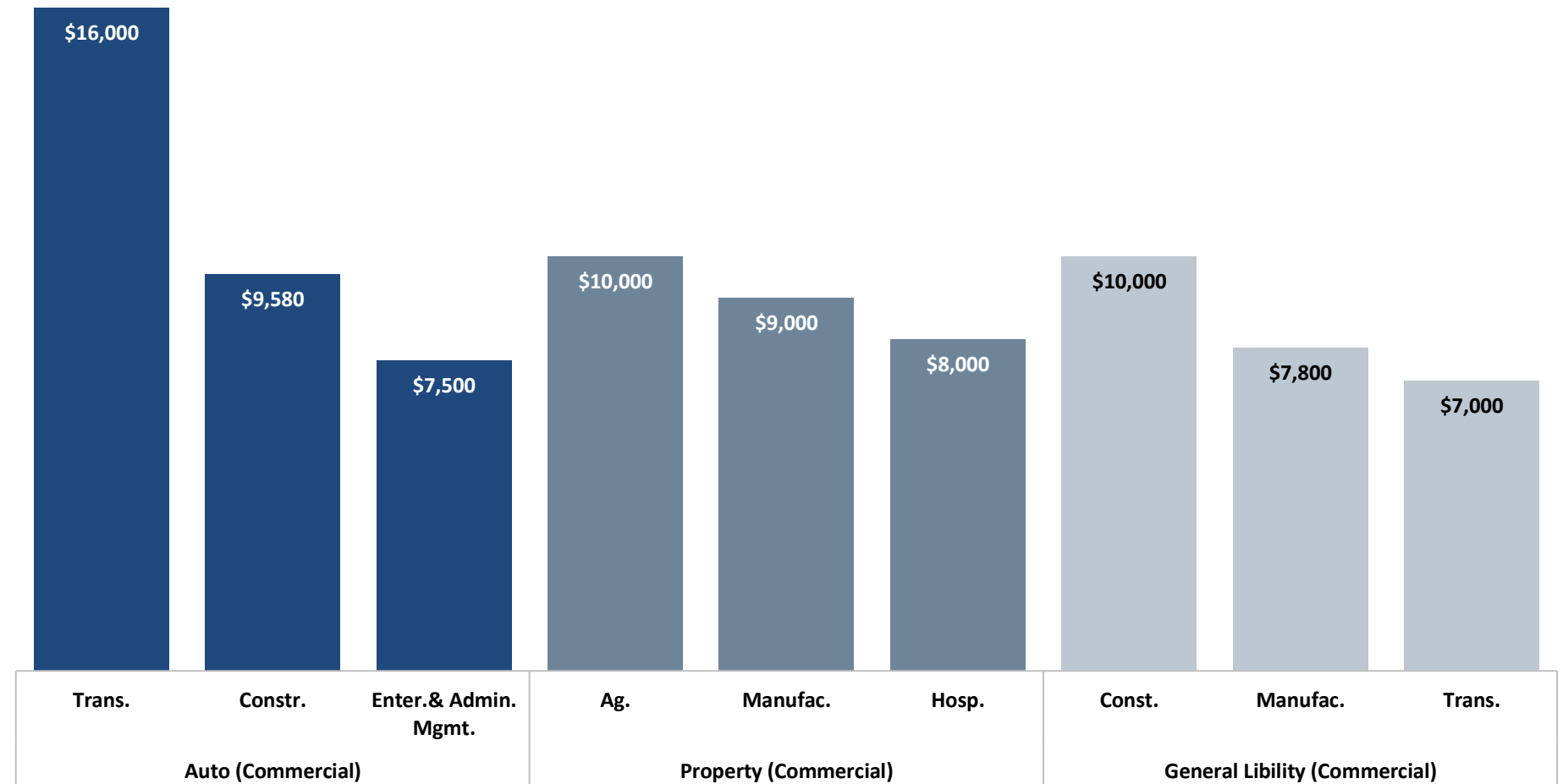
While small businesses generally pay around \$5,000 per year for commercial auto insurance, sector-specific data (figure 12) shows significantly higher costs for transportation (\$16,000), construction (\$9,580), and enterprise and administrative management (\$7,500).

Commercial property insurance has a median of \$6,000 per year for small businesses. Sectors that are experiencing significantly higher costs include agriculture (\$10,000), manufacturing (\$9,000), and hospitality (\$8,000).

Similarly, small businesses pay about \$4,850 per year for general commercial liability insurance, with higher costs in construction (\$10,000), manufacturing (\$7,800), and transportation (\$7,000).

Figure 12

Top three sectors for annual insurance costs of a typical* SME, by type of insurance, Canada



Source: CFIB, Insurance Survey, March 18 - May 9, 2024, n = 2,366.

Question: Roughly how much does your business pay annually in insurance premium(s) for each of the following?

*Note: The amounts in the chart reflect the median answer from survey responses and are for the full annual payment made by the company, irrespective of its size or the value of insured risk.

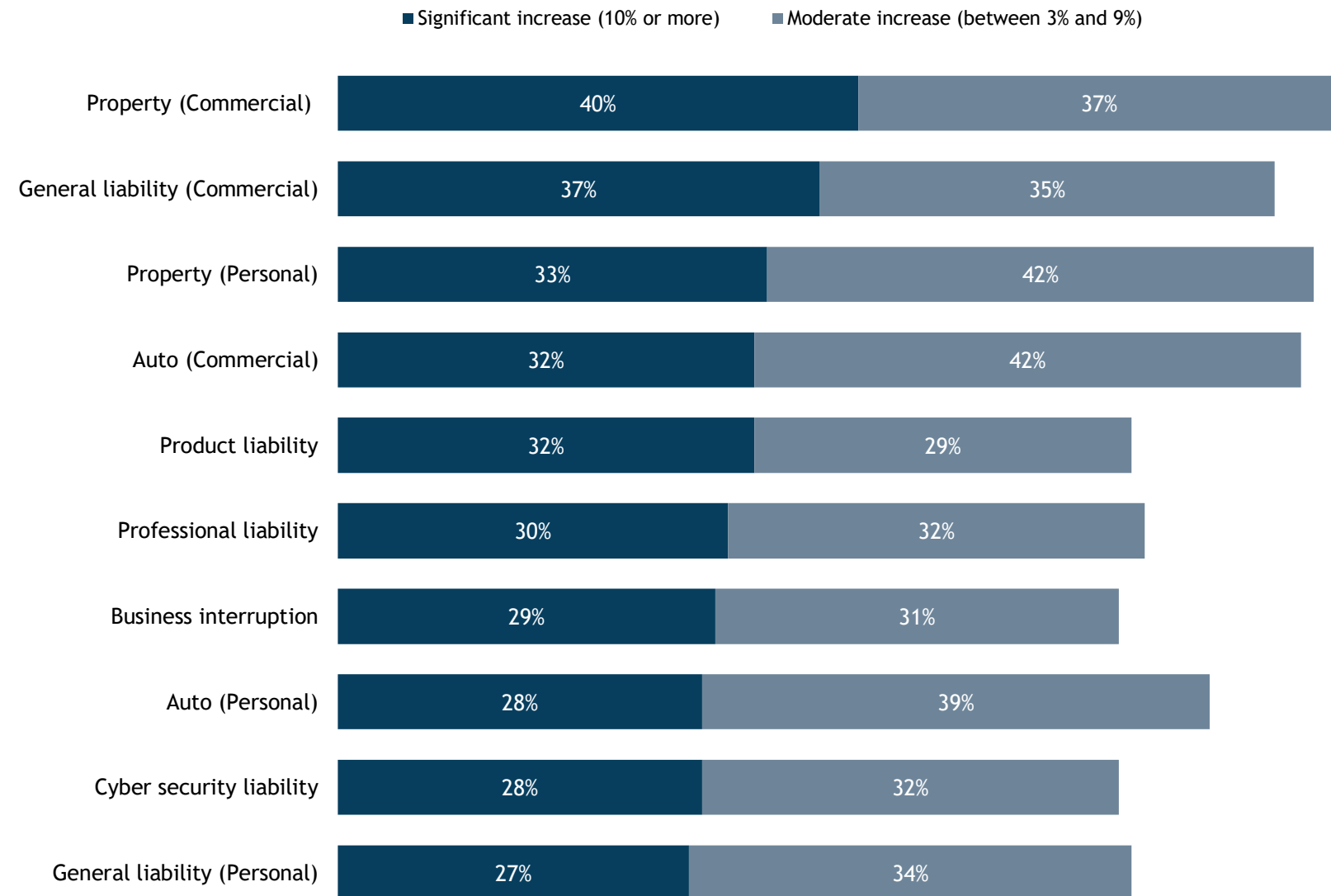
Commercial insurance premiums on the rise

Over the past year, many business owners have reported significant or moderate hikes in their insurance premiums (figure 13). In fact, half of business owners reported a significant increase (10% or more) in at least one type of their insurance premiums over the past year, with commercial property insurance leading the trend (40%), followed by general liability insurance (37%) and personal auto insurance (33%) (figure 13).

To illustrate the impact of these increases, consider the costs a 10% premium hike can impose on a business. On average, 58% of SMEs in our survey hold auto, property, and general liability insurance simultaneously. With the median premiums for commercial insurance at \$5,000 for auto, \$6,000 for property, and \$4,850 for general liability, a typical SME with these three types of insurance facing a 10% increase in premiums over the past 12 months would have paid approximately \$1,500 more in insurance premiums. These pressures are consistent across provinces, sectors, and business sizes (appendix 7).

Figure 13

Most businesses report a moderate to significant rise in insurance premiums in the past 12 months



Source: CFIB, Insurance Survey, March 18 - May 9, 2024, n = 416 to 2,778.

Question: Over the past 12 months, how have the following insurance premium(s) changed for your business? (Select one)

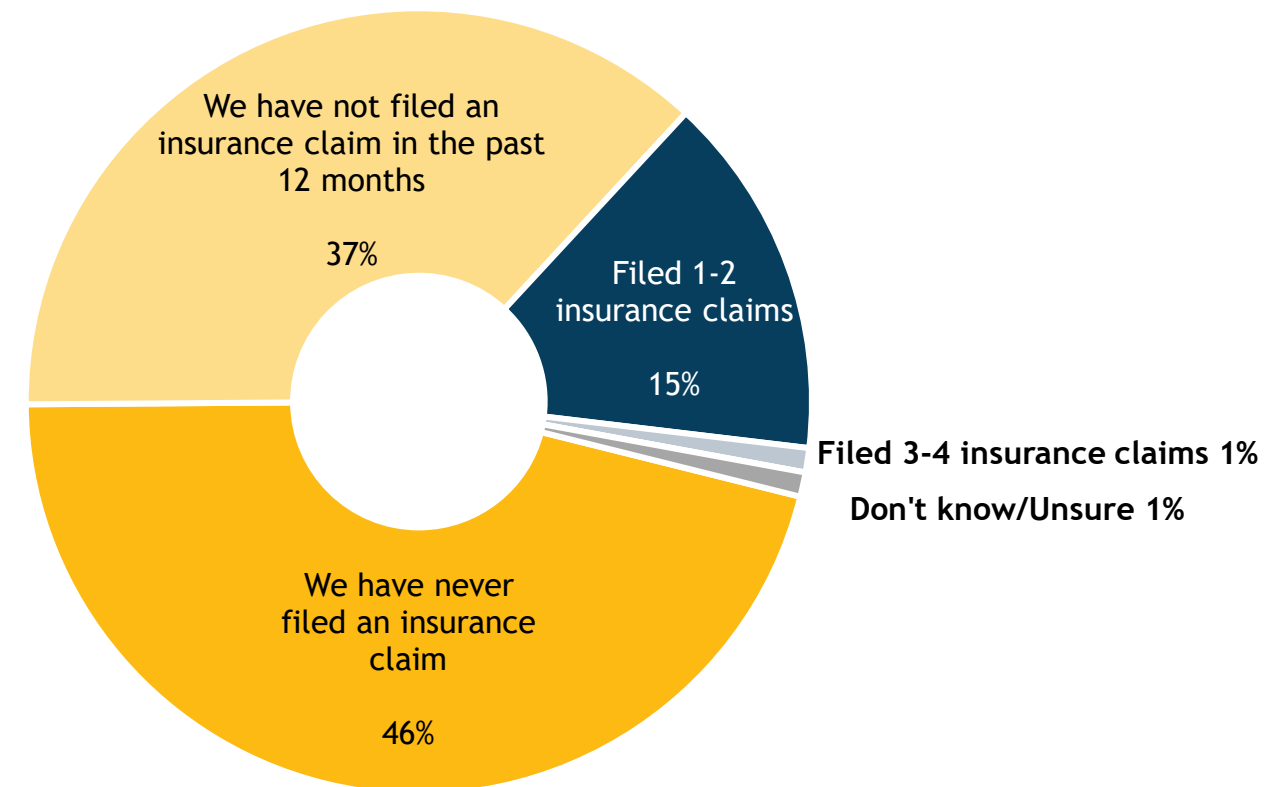
Rising costs and claim levels

While several factors can drive rising insurance costs, increased claim frequency and higher claim-related expenses typically lead to more expensive premiums. However, the current claim levels reported by small businesses do not fully account for the high costs. In fact, the vast majority (83%) of business owners have not filed an insurance claim in the past 12 months, suggesting that other factors are also contributing to higher premiums (figure 14).

However, it should be noted that 15% of SME owners have filed one to two insurance claims in the past 12 months, with higher occurrences in the construction (24%), transportation (23%), enterprise and administrative management (22%), and agriculture (21%) sectors.

Figure 14

The majority of SMEs have **not filed any insurance claims** over the past 12 months, Canada



Source: CFIB, Insurance Survey, March 18 - May 9, 2024, n = 3,058.
 Question: Thinking about the past 12 months, how many insurance claims has your business submitted? (Select one)



Financial impact of the rising costs of insurance

Highlights from this section:

- Over half of small businesses have reduced investments, with many also scaling back expansion plans, largely due to rising insurance premiums and other operational costs
- Newer businesses have indicated that insurance costs are one of the top reasons they cannot reinvest in further developing their operations
- Many small businesses reduced their insurance coverage, a trend that is notable in agriculture (36%), natural resources (30%), and hospitality (30%)

High insurance premiums, combined with other cost increases, have forced many SMEs to cut back

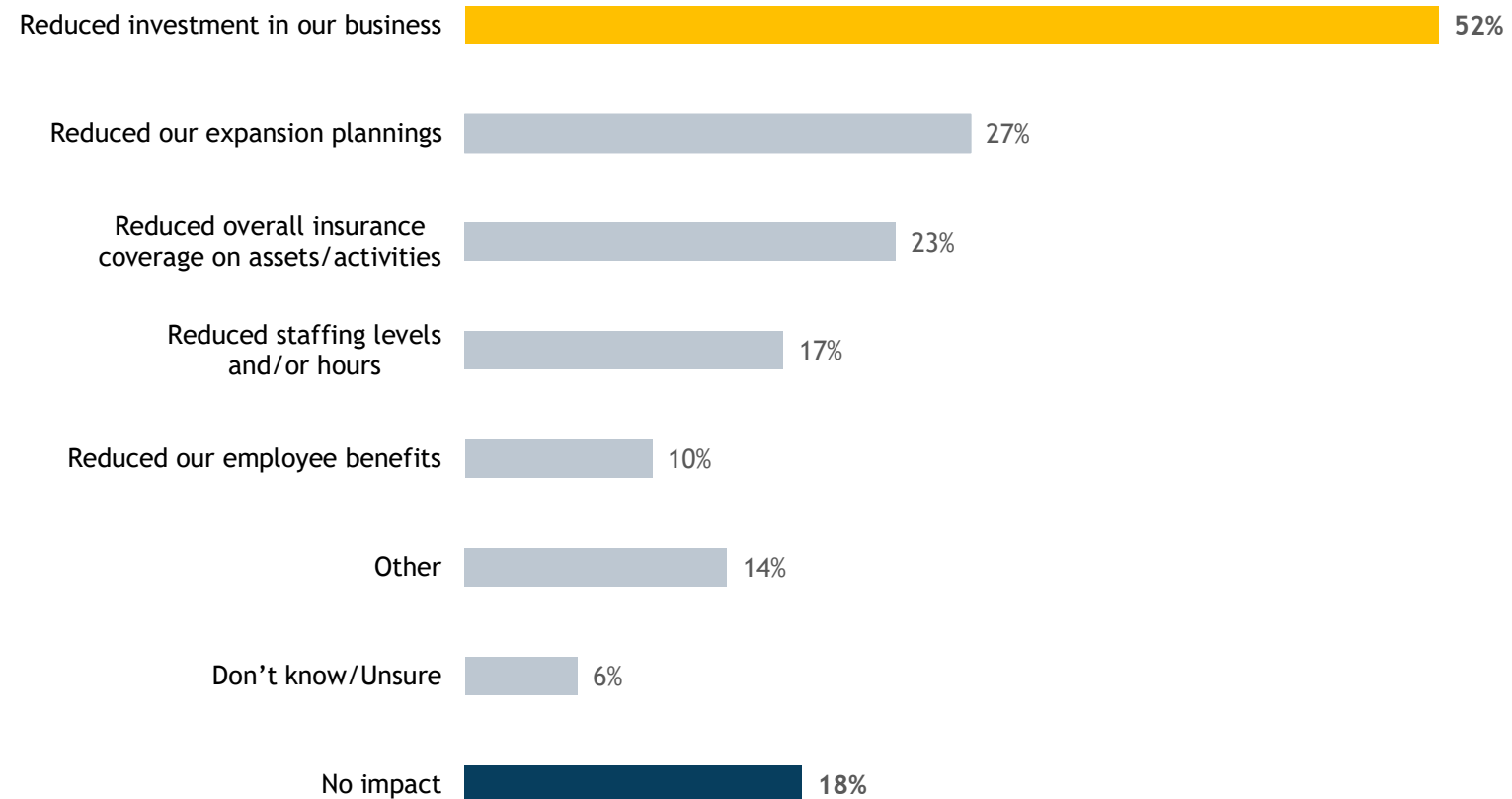
Over three-quarters of businesses have reported (76%) being impacted by rising insurance premiums, with only 18% seeing no impact and 6% unsure. Over half (52%) of small businesses have cut investments, and about a quarter have scaled back expansion plans (27%) or overall coverage (23%).

SMEs in the arts, recreation, and information (68%), hospitality (67%), and transportation (57%) sectors are among the most affected—high insurance costs hinder their ability to reinvest within their business. This also poses a challenge for businesses in the early stages. Nearly 60% of businesses operating for five years or less cite insurance expenses as a key barrier to reinvesting in their operations.

Many have also reduced insurance coverage, increasing their risk of significant financial losses if an unforeseen event were to occur. This trend is notable in agriculture (36%), natural resources (30%), and hospitality (30%). Insurance costs are just one pressure among many, with higher taxes and increased regulatory burden adding to the strain on business investment and growth.

Figure 15

Rising insurance costs have impacted over three quarters of Canadian businesses; over half have had to reduce investment



Source: CFIB, Insurance Survey, March 18 - May 9, 2024, n = 2,459.

Question: What impacts have increases to insurance premiums had on your business? (Select all that apply; Single choice for 'Don't know and 'No impact)

Note: Respondents who selected "Don't know/Unsure" and "No impact" could not be combined with other responses. As such, 76% of SMEs reported experiencing an increase in insurance premiums that has impacted their business.

Business Owners' Perspectives on Rising Premiums and Their Impact

“The cost is way too high and makes it difficult to keep our pricing reasonable with this much overhead going into insurance. “

ON, Arts, recreation and information

“Premiums are increasing substantially and I have limited companies that will insure my business. ”

ON, Enterprises & Admin. Mgmt.

“As a trucking company we have seen tremendous increases over the past 3 years. Minimum of 20% per year over year”

ON, Transportation

“The prices seem to fluctuate. The monthly bills are never delivered on time, making it difficult to do accounting under these conditions.”

QC, Retail

“The amount of information required by my insurer -- takes me a couple hours to get it all together. Plus the cost is so high”

AB, Manufacturing

“The surprise of annual premium hike without warning. The costs for insurance are draining.”

ON, Professional Services

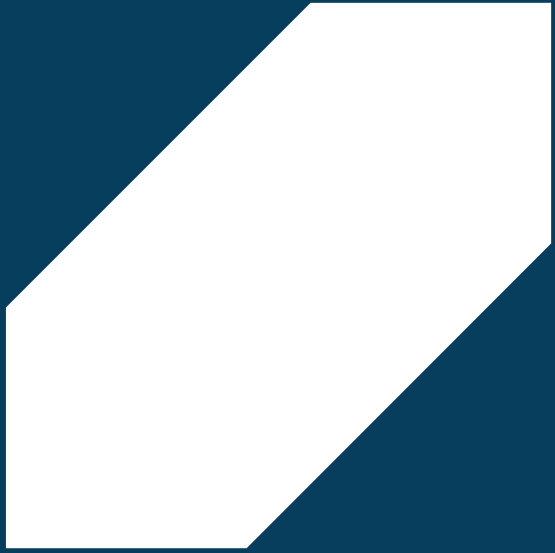
“The cost of insurance is excessive. We have never had a claim and our insurance keeps increasing. I pay more than \$60,000 in various types of insurance every year.”

QC, Construction

“Always worrisome when it comes time to renew. Never sure what the insurance companies will do when it comes to how much they will charge. Also limited number of players. Lets face it, the cards are stacked against the small companies, and they are held hostage to the insurance companies.”

ON, Construction





Recommendations



Insurance costs are becoming an increasingly heavy financial burden for SMEs

Ensuring that small businesses have multiple competitive insurance options can help them secure the protection they need without compromising their financial health. Solutions to this issue must come from collaborative efforts between governments, the insurance industry, and business owners. As such, CFIB makes the following recommendations.

Governments:

Governments can play a pivotal role in fostering a sustainable commercial insurance market by implementing policies that encourage more competition among insurance providers and help stabilize insurance costs for small businesses.

1. **Cut taxes.** Provinces and Territories should eliminate the Insurance Premium Tax (IPT) and Retail Sales Tax (RST) on all insurance products for small businesses.
2. **Streamline the regulatory environment** to help existing insurers provide more competitive products. Ensure provincial and federal regulators are working together cohesively to provide a consistent regulatory environment.
3. **Ensure there are no significant barriers to entry** for new insurers to enter the Canadian market.
4. **Encourage alternative insurance options**, such as captive insurance or cooperatives, which could help increase competition in the market.
5. **Enhance information** gathering and communication on commercial insurance across Canada.
6. **Improve complaint mechanisms and services**, such as those provided by the General Insurance OmbudService (GIO), by working on better accessibility and awareness.

Industry:

To create more favorable insurance options for SMEs, the industry must also be proactive in implementing measures that can help ease the financial burden.

1. **Increase awareness and support** to help SMEs differentiate between insurance coverage options, including the essential versus optional. The Insurance Bureau of Canada (IBC) does help SMEs navigate insurance options, but over 80% of small businesses are unaware of its services.^{vii}
2. **Offer more specialized industry tools or expertise** to support the unique needs of businesses from different sectors. More accessible tools and services (risk management templates, consultation services, insurance coverage comparison tools, educational guides and checklists, risk management software, online risk assessment tools, etc.) could help SMEs assess their risks accurately, enabling insurers to offer more precise and cost-effective coverage options.
3. **Increase transparency and fairness in insurance fee structures.** Clearly explain fees associated with insurance policies and advise SME clients on how to obtain the best value for their money. Insurers should also provide clear guidelines on how price increases are calculated, ensuring that small businesses understand the factors contributing to higher renewal costs.
4. **Update the Insurance Code of Consumer Rights and Responsibilities** to include policies specific to small businesses.

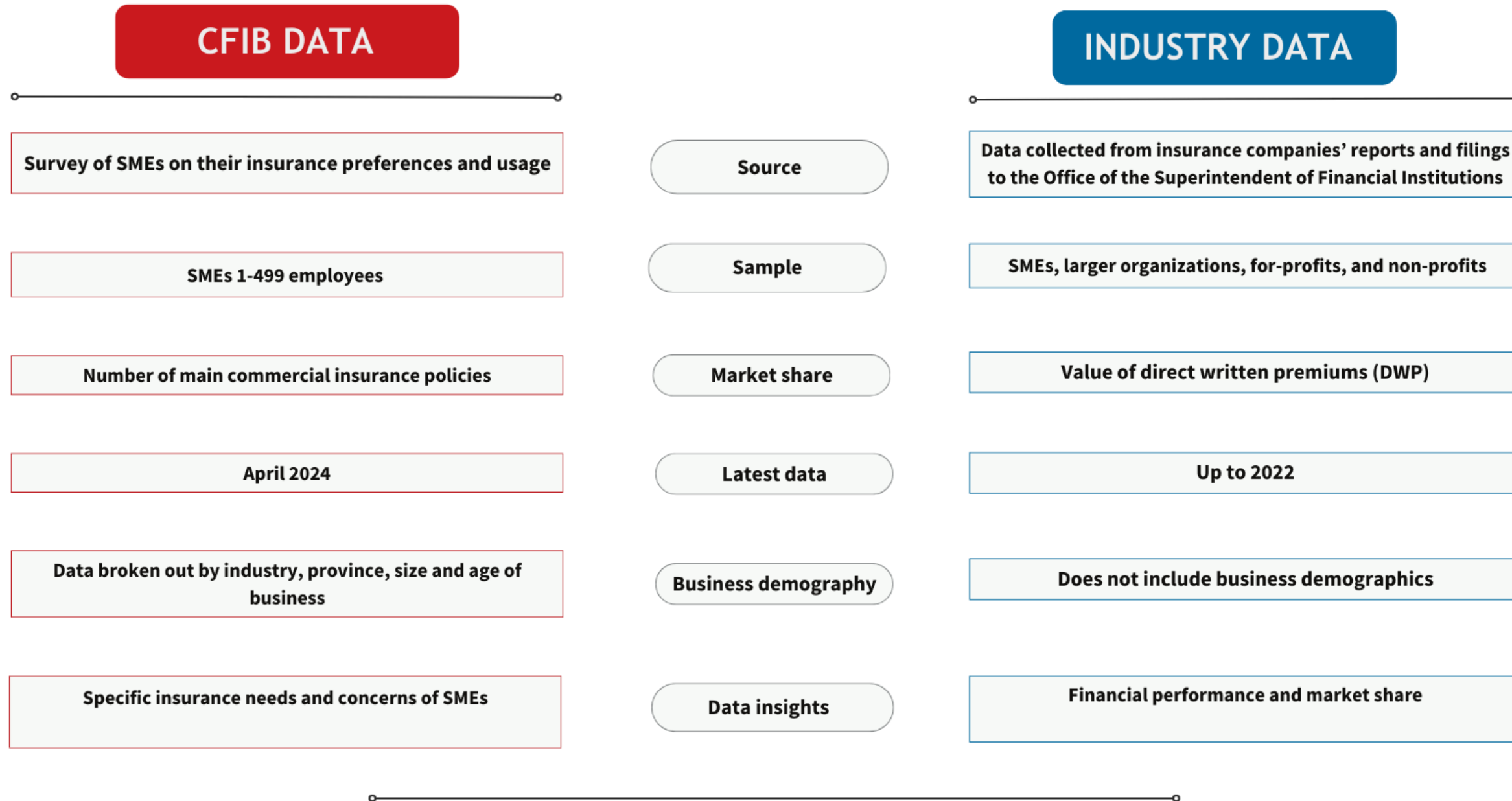


Small businesses:

It is important to acknowledge that SMEs must also play an active role in understanding how to navigate the insurance industry. When shopping around for coverage, it is crucial to make an informed decision. By implementing some of the measures listed below, SMEs can better ensure they select the most suitable coverage to protect their business effectively.

1. **Seek expert advice.** Consult with an insurance professional (such as a broker) who specializes in your industry to get tailored recommendations and insights.
2. **Shop around and ask about discounts.** Compare quotes and policies from multiple insurers to find the best coverage at competitive prices. Ask about discounts for safety features or low claims history. Consider bundling policies to reduce costs. Check if you belong to an industry or sectoral association that may offer discounted rates (including CFIB's partnership with Northbridge delivered through independent brokers).
3. **Review and make sure to understand your insurance coverage.** Our survey found that only 36% of SMEs did a market review in the past 12 months. Consider reviewing your coverage periodically to ensure it meets your business needs and make changes when necessary. Additionally, carefully read and understand the fine print, including exclusions and conditions of your insurance coverage.
4. **Invest in risk management policies and tools** to reduce the likelihood of claims, which can lead to lower premiums and better coverage options.
5. **Train and certify employees** in relevant areas to reduce risk and demonstrate a commitment to safety and quality.

Appendix 1: CFIB's insurance data versus industry data



Appendix 2: Top three most common types of insurance used by SMEs

(by sector, province, and business size, % of responses)

	<i>General liability (Commercial)</i>	<i>Property (Commercial)</i>	<i>Auto (Commercial)</i>
All businesses	92	84	69
Natural Resources	98	87	83
Arts, Rec.& Info.	96	86	54
Construction	96	82	95
Manufacturing	96	88	81
Transportation	95	83	91
Enterprises & Admin. Mgmt.	95	78	80
Agriculture	93	90	85
Wholesale	92	84	71
Personal, Misc. Services	92	87	74
Retail	91	85	62
Hospitality	91	88	49
Social Services	87	74	27
Fin., Ins., Real Est.	86	81	53
Professional Services	84	71	44
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British Columbia	94	84	58
Manitoba	94	90	61
Saskatchewan	93	88	71
Alberta	93	89	71
Nova Scotia	92	86	63
Ontario	92	86	69
Quebec	92	73	75
Prince Edward Island*	92	96	83
New Brunswick	89	79	72
Newfoundland and Labrador*	84	89	71
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Micro-businesses (0-4)	88	77	58
Small businesses (5-49)	95	88	77
Medium-sized businesses (+50)	97	95	88

Source: CFIB, Insurance Survey, March 18 - May 9, 2024, n = 3,675.

Question: What main types of insurance do you currently have for your business? (Select as many as apply)

Appendix 3: Availability of insurance options/choices for your business

(by province, sector, and business size, % of responses)

	Very satisfied	Somewhat satisfied	Somewhat dissatisfied	Very dissatisfied	Don't know/Not applicable
All businesses	10	35	24	25	6
Natural Resources	9	37	28	25	1
Arts, Rec.& Info.	4	47	18	29	2
Construction	14	38	22	20	6
Manufacturing	7	31	26	34	2
Transportation	11	43	24	18	4
Enterprises & Admin. Mgmt.	11	38	23	21	7
Agriculture	6	26	30	36	2
Wholesale	4	27	27	40	2
Personal, Misc. Services	29	32	15	20	4
Retail	11	40	27	17	5
Hospitality	14	36	23	23	4
Social Services	11	43	21	16	9
Fin., Ins., Real Est.	4	23	25	43	5
Professional Services	12	36	24	24	4
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British Columbia	10	39	22	25	4
Manitoba	9	41	23	23	4
Saskatchewan	11	39	23	24	3
Alberta	16	38	22	20	4
Nova Scotia	11	35	23	27	4
Ontario	7	29	31	26	7
Quebec	12	41	18	25	4
Prince Edward Island*	13	35	22	26	4
New Brunswick	9	59	27	5	0
Newfoundland and Labrador*	10	24	26	32	8
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Micro-businesses (0-4)	10	36	23	26	5
Small businesses (5-49)	11	35	25	26	3
Medium-sized businesses (+50)	10	40	31	19	0

Source: CFIB, Insurance Survey, March 18 - May 9, 2024, n = 3,675/

Question: Please rate your overall satisfaction with the following aspects of the insurance industry over the last 12 months. (Select one for each line). Availability of insurance options/choices for your business (i.e., the number of insurance companies available, lack of competition for insurance options).

Appendix 4: SMEs' insurance renewal options over the past 12 months

(by sector, province, and business size, % of responses)

	Had only one option	Had only two options	Had more than three options
All businesses	37	30	33
Agriculture	33	41	26
Natural Resources*	38	25	38
Construction	24	34	43
Manufacturing	48	18	34
Wholesale	29	46	25
Retail	35	35	31
Transportation	44	26	30
Arts, Recreation & Information*	40	20	40
Fin., Ins., Real Est.*	25	25	50
Professional Services	27	33	39
Enterprises & Admin. Mgmt.*	45	27	27
Social Services*	56	11	33
Hospitality	43	32	25
Personal, Misc. Services	40	37	23
British Columbia	35	36	30
Alberta	31	34	34
Saskatchewan	26	48	26
Manitoba	32	30	38
Ontario	39	26	35
Quebec	45	30	25
New Brunswick	32	36	32
Nova Scotia	29	10	62
Prince Edward Island	33	67	0
Newfoundland and Labrador*	44	33	22
Micro-businesses (0-4)	37	32	31
Small businesses (5-49)	38	30	33
Medium-sized businesses (+50)	32	32	35

Source: CFIB, Your Voice - August 2024 survey, August 8-21, 2024, n = 2,340

Question: Which of the following would best describe the insurance renewal situation your business was in during the last 12 months? (Select one)

Appendix 5: Level of insurance premiums and other related fees

(by province, sector, and business size, % of responses)

	Very satisfied	Somewhat satisfied	Somewhat dissatisfied	Very dissatisfied	Don't know/Not applicable
All businesses	5	20	29	44	2
Natural Resources	1	25	33	41	0
Arts, Rec.& Info.	1	16	27	56	0
Construction	8	19	31	40	2
Manufacturing	3	15	31	51	0
Transportation	4	22	32	41	1
Enterprises & Admin. Mgmt.	5	22	31	41	1
Agriculture	2	18	28	51	1
Wholesale	1	12	28	58	1
Personal, Misc. Services	15	29	26	26	4
Retail	2	26	31	40	1
Hospitality	5	20	29	42	4
Social Services	7	24	28	38	3
Fin., Ins., Real Est.	2	15	20	60	3
Professional Services	5	20	29	44	2
Province					
British Columbia	4	20	30	45	1
Manitoba	3	21	26	48	2
Saskatchewan	4	24	30	42	0
Alberta	8	28	23	39	2
Nova Scotia	5	19	29	46	1
Ontario	4	19	34	41	2
Quebec	7	19	26	46	2
Prince Edward Island*	7	26	23	42	2
New Brunswick	0	36	23	41	0
Newfoundland and Labrador*	1	15	38	46	0
Business size					
Micro-businesses (0-4)	5	20	29	44	2
Small businesses (5-49)	5	19	29	46	1
Medium-sized businesses (+50)	4	16	36	43	1

Source: CFIB, Insurance Survey, March 18 - May 9, 2024, n = 3,675.

Question: Please rate your overall satisfaction with the following aspects of the insurance industry over the last 12 months. (Select one for each line)

Level of insurance premiums and other related fees.

Appendix 6: Tax rates (%) on premiums by province or territory, as of March 2024^{viii}

	Insurance premium tax	Retail sales tax	Combined tax percentage
Newfoundland and Labrador (excluding auto and personal property)	5	15	20
Quebec	3.3	9	12.3
Ontario (property insurance)	3.5	8	11.5
Ontario (excluding property and auto, i.e., commercial liability)	3	8	11
Saskatchewan (auto insurance)	5	6	11
Manitoba (excluding property)	3	7	10
Saskatchewan (excluding auto and hail)	4	6	10
Newfoundland and Labrador (auto and personal property insurance)	5	—	5
British Columbia (auto and property insurance)	4.4	—	4.4
Alberta	4	—	4
British Columbia (excluding auto and property, i.e., commercial liability)	4	—	4
Manitoba (property insurance)	4	—	4
Nova Scotia	4	—	4
Prince Edward Island	4	—	4
Yukon	4	—	4
New Brunswick	3	—	3
Northwest Territories	3	—	3
Nunavut	3	—	3
Ontario (auto insurance)	3	—	3
Saskatchewan (hail insurance)	3	—	3

Note: The table outlines the added taxes on premiums in each province/territory. Some provinces have different rates for different insurance products.

Appendix 7: Commercial insurance premiums increase of 10% or more over the last year
(by sector, province, and business size, % of responses)

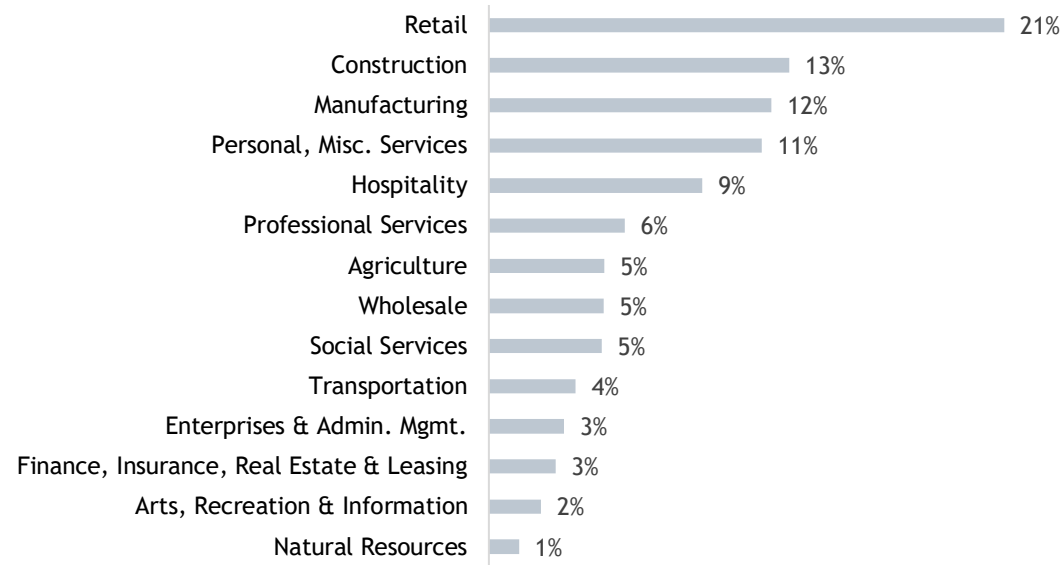
	Property	General liability	Auto
All businesses	40	37	32
Hospitality	56	49	34
Arts, Rec.& Info.	52	57	36
Agriculture	46	46	41
Natural Resources	45	52	36
Social Services	44	38	55
Manufacturing	41	39	30
Retail	41	36	30
Perso., Misc. Services	38	37	31
Fin., Ins., Real Est.	37	21	45
Wholesale	37	37	33
Transportation	35	31	34
Professional Services	30	28	43
Construction	27	31	26
Enter.& Admin. Mgmt.	15	40	32
Quebec	47	40	38
British Columbia	44	41	17
Saskatchewan	43	43	23
Newfoundland and Labrador*	43	42	23
New Brunswick	39	38	36
Ontario	38	37	35
Alberta	36	32	34
Nova Scotia	33	32	27
Manitoba	32	31	16
Prince Edward Island*	13	14	—
Micro-businesses (0-4)	39	35	32
Small businesses (5-49)	39	37	32
Medium-sized businesses (+50)	43	39	28

Source: CFIB, Insurance Survey, March 18 - May 9, 2024, n = 416 to 2,778.

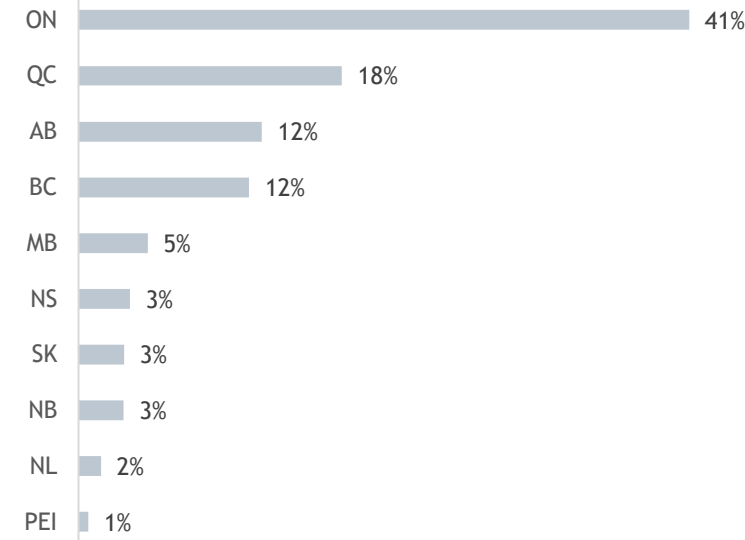
Question: Which of the following taxes and costs are the most harmful to the operation of your business? (Select all that apply)

Appendix 8: Insurance survey respondent profile; n=3,676

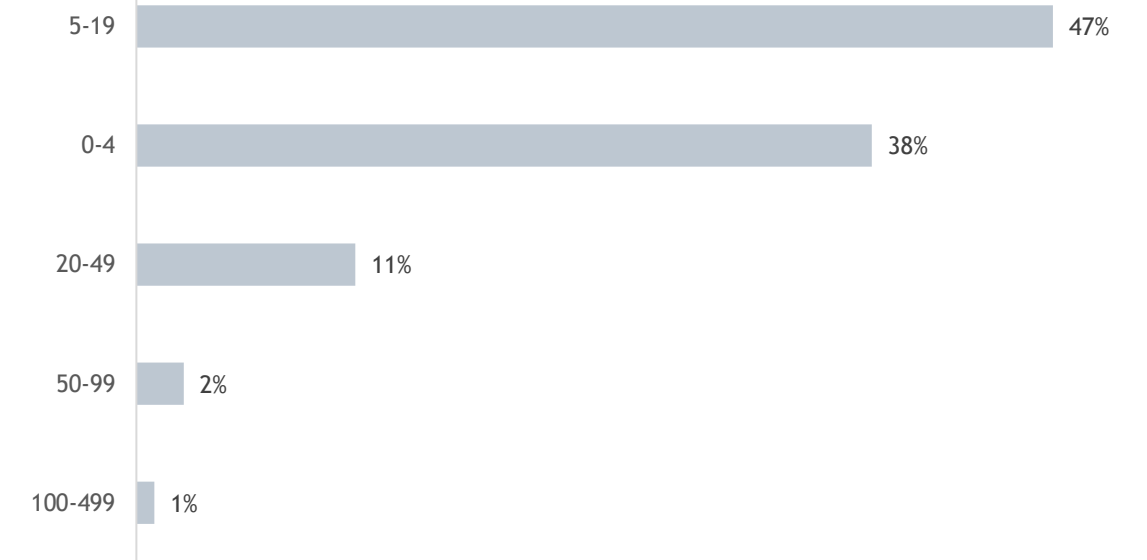
Sector



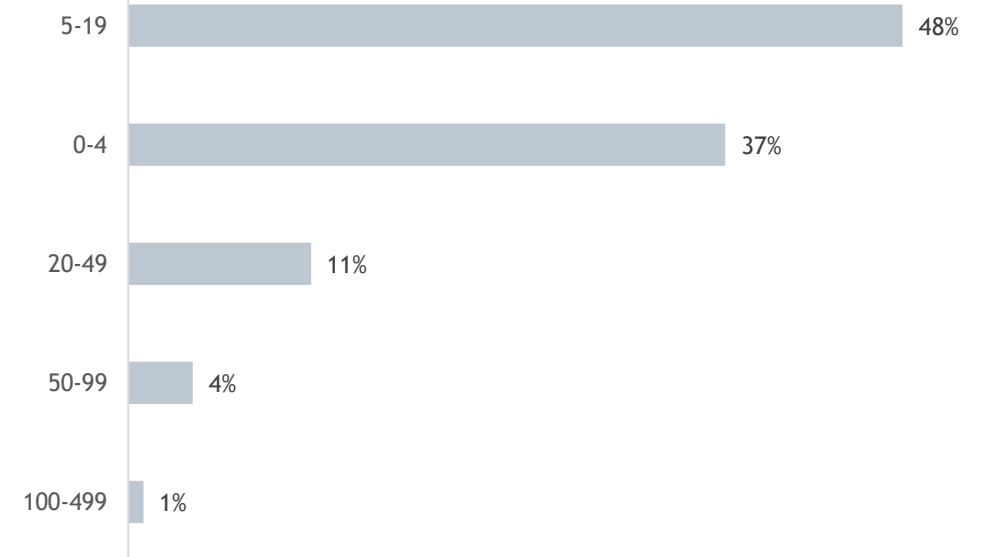
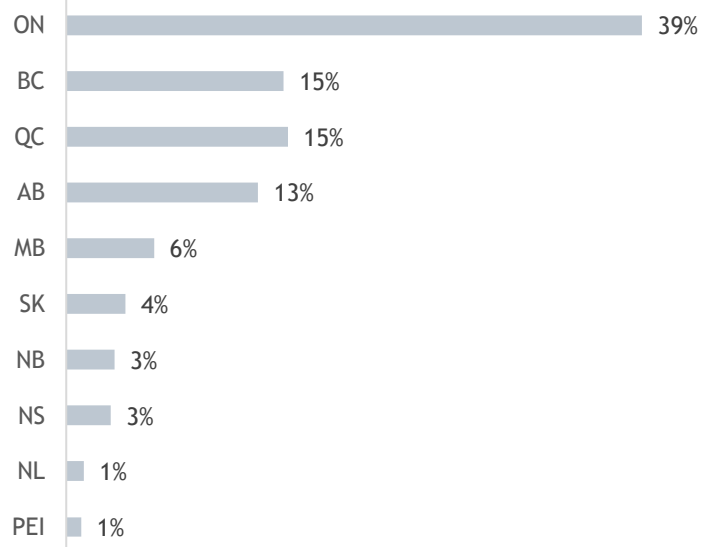
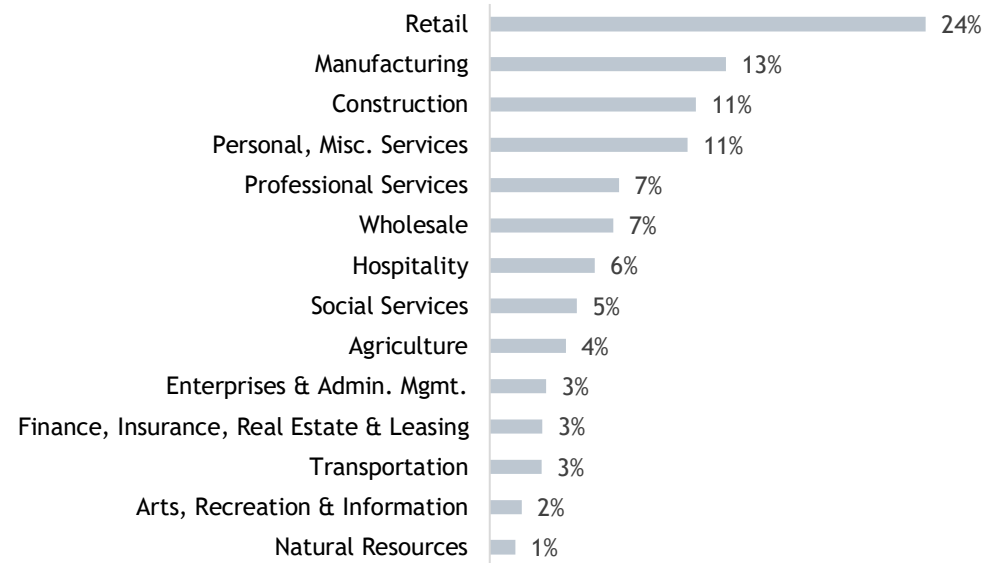
Province



Business size



Your Voice August survey n= 2,340



Endnotes

ⁱ Northbridge Group: It should be noted that some business owners responding to the CFIB survey may be participating in CFIB's Saving Program, which offers exclusive discounts through Northbridge Group.

ⁱⁱ The "other providers" category was removed, as many small business owners often duplicated insurance providers already listed or opted for smaller insurers such as Federated Insurance, Wawanesa Insurance, L'Unique Insurance, Economical Insurance, and Wynward Insurance. These five insurers, frequently mentioned in the "others" category, were re-coded to reflect their exact market share.

ⁱⁱⁱ Office of the Superintendent of Financial Institutions (OSFI): <https://www.osfi-bsif.gc.ca/en>.

^{iv} Market-Security Analysis & Research Inc. (MSA Research) presents itself as a "Canadian-owned, independent and impartial analytical research firm that is focused on the Canadian insurance industry", <https://www.msaresearch.com/>.

^v Direct Written Premiums (DWP) refers to the total amount of money that an insurance company collects from policyholders for insurance coverage during a specific period, usually a year. In simpler terms, if you buy an insurance policy, the amount you pay for that policy counts as DWP for the insurance company.

^{vi} Insurance Bureau of Canada (IBC). *Fueling business prosperity. Government's role in fostering a sustainable commercial insurance market*, <https://businessinsurancehelp.ca/wp-content/uploads/2024/04/IBC-Fuelling-Business-Prosperty-Report-April-2024.pdf>.

^{vii} CFIB, Insurance Survey, March 18 - May 9, 2024, n = 3,675.

^{viii} Insurance Bureau of Canada (IBC). *Fueling business prosperity. Government's role in fostering a sustainable commercial insurance market*. <https://businessinsurancehelp.ca/wp-content/uploads/2024/04/IBC-Fuelling-Business-Prosperty-Report-April-2024.pdf>.

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The Canadian Federation of Independent Business (CFIB) is Canada's largest association of small and medium-sized businesses with 97,000 members across every industry and region. CFIB is dedicated to increasing business owners' chances of success by driving policy change at all levels of government, providing expert advice and tools, and negotiating exclusive savings.

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