

HOW BIG IS THE CANADIAN INSURANCE MARKETPLACE?

There are almost 200 registered insurance companies licensed in Canada, which would suggest that there should be a lot of choice for commercial business risks. However, there are many factors that point to this not being the case.

First, many of these entities are subsidiary companies for a single insurer. If these are eliminated there are just over 130 separate companies.

Most of those companies do not write typical commercial insurance risks for a few reasons. They are Specialty Insurers for specific products such as title insurance or farm mutual's; they are Provincial Insurers (Saskatchewan, Manitoba, & B.C., each have their own government-run insurance entities offering coverages' such as Auto insurance only in that specific province); they are Re-insurance Companies that insure insurance companies; or they are Direct Writers which focus more on Personal Lines products and do not deal through brokers. Eliminating these leaves just over 30 companies.

Among the remaining insurers, there are a number that focus only on specific business types such as Trucking, Japanese Insurers, Directors' and Officers', or Professional Liability only. That leaves perhaps 25 insurers underwriting commercial risks across Canada.

While that still appears to represent a significant choice, the numbers do not take into account insurers' underwriting appetites. Most companies target a limited number of classes of risks, and undoubtedly refuse to become involved with others. Companies that like property owners and developers for example, may not be willing to underwrite retail exposures. Others have comfort with heavy industrial exposures, but will not insure petrochemical or plastics risks.

In reality, there are likely only 3 or 4 insurers that might be a good fit for a particular business risk. There are quite a number of business risks where, due to insurers' interpretation of the exposures, there may only be 1 or 2 insurers as viable options at the best of times. When the market hardens, as it has done from time to time, many businesses are lucky to find a single alternative.

This is a key reason why businesses need to separate the selection of their broker from the selection of their insurance company(s). Sending multiple brokers out to the very limited insurance marketplace on your behalf can actually be harmful to insurers' perceptions of you as an account. When selecting a broker, their relationship with insurers is a key factor to be considered. In addition, your broker should be providing you with a host of resources and services outside of what an insurance company may offer.