



Assessing the Impact of the Insurance Sector in New Brunswick

An Economic Footprint Analysis

Prepared for:
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Preface

This research was undertaken by The Conference Board of Canada for the Insurance Bureau of Canada. In keeping with Conference Board guidelines for financed research, the research design method, as well as the content of this study, was determined by the Conference Board. The research was conducted by Todd Crawford, Economist, Economic Forecasting and Analysis, and Alicia Macdonald, Senior Economist, Economic Forecasting and Analysis, under the direction of Pedro Antunes, Director of the Conference Board's National and Provincial Forecasting Group.

About the Conference Board

The Conference Board of Canada is the foremost independent, not-for-profit applied research organization in Canada. We help build leadership capacity for a better Canada by creating and sharing insights on economic trends, public policy issues, and organizational performance. The Board's Economic Forecasting and Analysis division employs more than 25 professional economists who bring together knowledge across regions and sectors in producing their forecasts. The forecasting group constructs and maintains econometric models of the national and regional economies and a one-of-a-kind, comprehensive quarterly database of the provincial economies in Canada. The Conference Board of Canada was established in 1954 and is affiliated with the U.S.-based The Conference Board, Inc. that serves some 3,000 companies in 67 nations.

Executive Summary

The primary objective of this study is to quantify the economic impact of New Brunswick's insurance industry on a wide variety of economic indicators, including gross domestic product (GDP), employment, income, and government revenues. The results are presented by subsector to better highlight the separate contributions of the property and casualty (P&C) carriers and of the agents and brokers. The study uses standard techniques to generate an economic footprint composed of the direct, indirect, and induced impacts attributed to each portion of the industry.

Insurance is an essential part of our economy. By enabling firms and individuals to limit their liabilities and protect their assets, it helps stimulate investment and economic growth. It is a mechanism for spreading risk and sharing the potential losses of the few among many. The policyholder substitutes a relatively small expenditure (a premium) for a potentially large but uncertain future loss (an insurance claim). Thus, policyholders that are lucky enough to avoid losses help compensate those individuals or firms that do suffer a claim.

In addition to its role in facilitating economic activity by mitigating personal and corporate risk, the industry is a significant contributor to economic activity in the province. In 2010, total real GDP directly attributed to New Brunswick's insurance sector was \$440.1 million. Insurance carriers' contribution was \$302.4 million, while the agents and brokers network contributed an additional \$137.7 million. It is estimated that 46.7 per cent of insurance carrier activity in 2010 was attributable to the P&C sector, translating into a direct contribution to GDP of \$141 million.

The influence of the industry extends well beyond its direct impact, as it spreads throughout the economy via a series of multipliers. Indirect (or supply-chain) effects are felt first as an increase in demand for goods and services in industries that are direct suppliers, such as legal and transportation services. Induced effects have a widespread impact on all sectors of the economy, largely through a general increase in consumer spending. Thus, economic activity in the insurance sector results in measurable benefits for many other industries in New Brunswick, including finance and insurance; professional, scientific, and technical services; information and cultural; retail and wholesale trade; administrative support; and utilities. Summing the direct, indirect, and induced impacts gives us a full representation of the impact that the industry has on the provincial economy—its economic footprint.

Analysis of the P&C subsector suggests that, if indirect and induced impacts are included, the total economic contribution to the provincial economy was \$278.3 million in 2010, yielding an economic multiplier of 1.97. Furthermore, the P&C sector supported approximately 2,650 jobs in the province, reducing the unemployment rate by 0.3 percentage points.

Similarly, the direct contribution to GDP for the agents and brokers network in 2010 was \$137.7 million, yet the total footprint is estimated to have been \$186.6 million. At 1.35, the multiplier is lower than that of the P&C sector, yet still compares favourably with other service-producing industries in the province.

Moreover, when considering the total impact of the agents and brokers, this subsector supported a total of 2,107 jobs, resulting in a 0.2 percentage point reduction in the unemployment rate.

This footprint analysis confirms that the economic contribution of the insurance sector to the provincial economy is significant. (See Table 1.) In total, New Brunswick’s insurance industry in 2010 directly contributed \$440.1 million to the provincial economy. However, when all spin-off effects are included, the total impact rises to \$781.2 million, yielding an economic multiplier of 1.78. The boost in economic activity also means that the industry supports nearly 8,100 jobs in the province, considerably more than the 4,890 who were directly employed in the industry in 2010.

Increased economic activity and employment created by the insurance industry lifts labour income and boosts corporate profits, both important sources of revenue for federal and provincial levels of government. In 2010, some \$228.8 million of additional revenues is estimated to have flowed to government coffers as a result of New Brunswick’s insurance industry.¹

Table 1

GDP and Employment Impacts in New Brunswick

(impacts in 2010)

	Real GDP (millions, \$2002)	Multiplier	Total GDP impact (millions, \$2002)	Total employment impact
P&C carriers	141.0	1.97	278.3	2,650
Medical, health and life carriers	161.4	1.96	316.3	3,335
Agents and brokers	137.7	1.35	186.6	2,107
Total insurance industry	440.1	1.78	781.2	8,092

Sources: The Conference Board of Canada; Statistics Canada.

1. This includes corporate income taxes, personal income taxes, and indirect taxes collected. It excludes premium taxes paid by insurance companies. P&C companies paid \$28 million in premium taxes in 2010 (Source: IBC Tax Survey). It also excludes the premium taxes paid by medical, health, and life insurers where the tax rate is 2 per cent of premium income on life premiums and 3 per cent of income on non-life insurance premiums.

1.0 Introduction

The purpose of this research was to determine the total impact of New Brunswick's insurance industry on key economic indicators including real gross domestic product (GDP), employment, and government revenues. The analysis was conducted for the insurance industry as a whole as well as for the agents and brokers network and the property and casualty (P&C) carriers subsectors to identify their individual contributions to New Brunswick's economy. We relied on results from Statistics Canada's regional input-output model to quantify the supply-chain (or indirect) impact of New Brunswick's insurance sector; The Conference Board of Canada's provincial forecasting model was used to obtain the additional induced impacts of the industry. Section 2.0 of this report provides a brief introduction to the insurance industry in New Brunswick. Section 3.0 presents the methodology and key assumptions used in the analysis. Section 4.0 provides the results of the analysis while Section 5 contains a summary of the key findings.

2.0 New Brunswick's Insurance Industry

The insurance industry can be broken down into three broad components: P&C insurance carriers; medical, health, and life insurance carriers; and agents, brokers, and reinsurance providers. For the purpose of this report, agents and brokers include those providing both P&C and medical, health, and life policies. This report aims to examine the full economic impact, or footprint, of P&C insurance carriers; agents, brokers, and reinsurance providers; and the insurance industry as a whole on New Brunswick's economy.

Insurance is a mechanism for spreading risk and sharing the losses of a few people among many. It enables the policyholder to substitute a relatively small expenditure (a premium) for a potentially large but uncertain future loss (an insurance claim). Policyholders that are fortunate enough to avoid losses to their homes or automobiles help to compensate those individuals or firms that are impacted by losses.

Insurance is an essential part of our economy. By enabling firms and individuals to limit their liabilities and protect their assets, it helps stimulate investment and economic growth. Firms operating in the P&C industry provide coverage for a wide range of products including automobile, liability, and commercial and personal property insurance. In 2010, P&C insurance firms in New Brunswick paid out \$546.8 million in net claims while collecting \$832.8 million in net premiums.²

Companies operating in the insurance industry provide much more than a direct economic benefit to the New Brunswick economy through the sales, jobs, and taxes generated by these firms. Insurance companies have an indirect economic effect on other businesses in the province as they create demand for service and products, such as legal and transportation services, resulting in further economic benefit for the province. Insurance companies also impact the economy another way, through what economists refer to as "induced effects." When employees of all the insurance and other companies linked to the industry spend the money that they earn on goods and services in New Brunswick, the economy receives an additional economic benefit in the form of new jobs and activity generated in other sectors of the economy. The sum of the direct, indirect, and induced effects represents the overall contribution, or the economic footprint, that the industry makes to the provincial economy.

The insurance industry benefits the economy not only through its direct contribution to real GDP but also in a less obvious way—through claim payments. When calculating value added in the insurance industry, claim payments actually reduce GDP in the sector (see box "What Happens to Claim Payments?"). As such, when the dollar value of claims paid out grows more quickly than income earned, the GDP calculation would indicate that the insurance industry is subtracting from the economy. In fact, claims paid out are typically spent within the province and help to bolster economic activity in other industries such as auto repair.

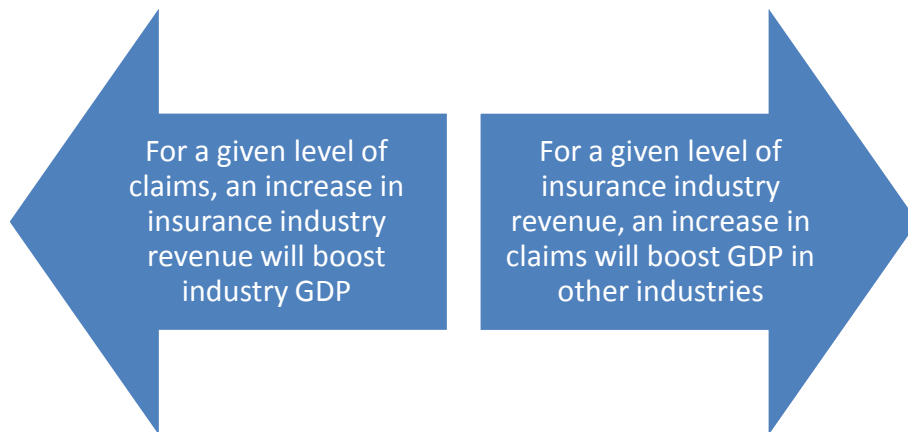
2. MSA Researcher; Insurance Bureau of Canada.

What Happens to Claim Payments?

In 2010, P&C insurers in New Brunswick paid out \$546.8 million in claims. However, this injection of cash into the economy actually subtracts from GDP in the insurance industry; instead, the millions of dollars in claims paid out by New Brunswick's insurance carriers serve to boost economic activity which is captured in a number of other industries. Claim payments increase the demand for services such as auto repair, home renovation, and health and medical industries, and GDP in these sectors increases due to the extra demand generated when insurance claims are paid out.

Statistics Canada measures the value added, or GDP, of the insurance industry by adding premiums to investment income and then subtracting claims paid. Insurance firms earn revenues through investment income and premiums paid. Revenue data are collected by Statistics Canada, along with information on claims, to estimate the direct economic contribution of the insurance industry. This method accurately reflects our system of national accounting, where the direct value added of an industry is measured, for the most part, by the wages it pays and the profits it generates. However, unlike other industries, the insurance industry will indirectly bolster the economy when claims payments increase even as its real GDP is declining. In a year when the growth in claim payments exceeds growth in income, the value added of the industry declines but the payment of these claims helps to boost spending in the local economy. As such, the impact of claims payments is not quantified in the economic footprint analysis because this would lead to a double counting of effects.

The schematic below illustrates the impacts of changes in revenues and claims.



3.0 Key Assumptions and Methodology

3.1 Methodology

The purpose of this research is to quantify the impact of New Brunswick's insurance industry on key economic indicators, such as GDP, employment, income, and government revenues. The analysis (in Section 4.0) will detail the impact of the insurance industry as a whole, as well as the impact of P&C carriers, agents and brokers, and other insurance-related activities. The analysis evaluates the combined direct, indirect, and induced economic impacts, using the following parameters:

- **Direct impact** measures the value added³ to the economy by the insurance sector that is attributed directly to the sector's employees, the wages earned, and the firms' revenues generated.
- **Indirect impact** measures the value added that the "direct impact firms" generate within the economy through their demand for intermediate inputs or other support services. For example, activity in the insurance sector creates demand for legal and administrative services.
- **Induced impacts** are derived when employees of the aforementioned industries spend their earnings and owners spend their profits. These purchases lead to more employment, higher wages, and increased income and tax revenues, and can be felt across a wide range of industries.

As such, the insurance industry does not have just a direct effect on the economy; its impact will spread through the economy through a series of multiplier effects. Indirect effects are felt first as an increase in demand for products and services from industries that are direct suppliers. Second-round induced effects produce a widespread impact (albeit usually smaller) on all sectors of the economy, largely through a general increase in consumer spending.

To derive the indirect impact of New Brunswick's insurance sector on the provincial economy, the study relied on Statistics Canada's detailed model of regional industrial structure to assess the indirect effects on industries across the province. The Statistics Canada regional input-output model (I-O) has the advantage of finely detailing the industrial structure within an industry as well as containing detailed linkages for input commodities to other industries.⁴ As many of these links are unpublished (due to confidentiality), Statistics Canada has the advantage of being able to accurately assess the indirect effects of specific industries on a regional basis.⁵

3. Value added or net output is the difference between total revenue and the sum of expenses on parts, materials, and services used in the production process. Summing the value added across all industries in a region will yield the GDP in that region.

4. Statistics Canada's regional I-O model breaks down roughly 300 industries and over 700 commodities.

5. For more information about Statistics Canada's interregional input-output model, see Erik Poole, *Guide to Using the Input-Output Model of Statistics Canada*. Technical Series #58-E (Ottawa: Statistics Canada, 1993. Revised September 1999).

Given the detailed information available from Statistics Canada’s I-O model, two simulations were performed to quantify the impact of various segments of New Brunswick’s insurance industry. The first was on Insurance Carriers; the second, on Agencies, Brokerages and Other Related Insurance Activities.⁶

Once Statistics Canada provided its assessment of direct and indirect impacts, these results were used to determine the additional induced effects. The Conference Board’s provincial forecasting model contains a more aggregate industrial sector but has the benefit of assessing the impact of additional income, generated through changes in wages and profits, on New Brunswick’s economy. Moreover, the Conference Board’s models allow for the analysis to be carried out over a time period whereas Statistics Canada’s I-O model yields simply a one-time total effect. The direct and indirect effects obtained from the I-O simulations were used to guide the Conference Board’s provincial forecasting model and to obtain the additional induced impacts on the economy. In essence, they were used to estimate the total economic footprint of the P&C sector; of the agents, brokers, and other insurance-related activities; and of the insurance industry as a whole on New Brunswick’s economy over the 2006–10 time frame.

3.2 Key Assumptions

The purpose of this analysis is to provide the quantitative impact on New Brunswick’s economy that can be attributed to the total insurance sector; to agents, brokers, and other insurance-related activities; and to P&C carriers. Statistics Canada publishes nominal GDP data for total insurance carriers and for agents and brokers as well as real GDP data for insurance carriers. We therefore needed to estimate real GDP for agents and brokers and also to break out the contribution of P&C carriers from total insurance carriers. The methods employed are described next.

To calculate real GDP for the agents and brokers industry, an implicit deflator for insurance carriers was created using nominal and real data for this sector available from Statistics Canada up to 2007. The deflator was then used to calculate real GDP (from the published data) for the agents and brokers industry until 2007. To extend the data to 2010, productivity in the agents and brokers industry was calculated and extended by its average growth rate over the past five years. This allowed us to generate real GDP estimates based on available labour market statistics; in other words, real GDP was generated as the product of productivity and employment for the agents and brokers subsector.

The Insurance Bureau of Canada provided the Conference Board with detailed financial data compiled by Statistics Canada for insurance carriers, broken into two components: life, health/medical; and P&C. Mirroring the method used in the system of national accounts, the value added for these two subsectors was calculated by adding insurance premiums to investment income and then subtracting from this amount the insurance claims incurred and increases in life insurers’ technical reserves.⁷ The share of the P&C sector was then calculated by dividing the P&C value added by the value added for total insurance

6. These are North American Industrial Classification System (NAICS) industries 5241 and 5242.

7. For detailed information on how the system of national accounts calculates value added in the insurance industry, refer to *System of National Accounts 2008* (New York: European Commission, IMF, OECD, United Nations, World Bank, 2009), p. 117-119. Available at <http://unstats.un.org/unsd/nationalaccount/docs/SNA2008.pdf>.

carriers (defined as the total from life, health, and medical plus P&C). This share was then applied to the real GDP data for insurance carriers in New Brunswick available from Statistics Canada to derive an estimate for real GDP for New Brunswick's P&C insurance carriers.

4.0 Findings

4.1 Property and Casualty Sector

In 2010, P&C insurance carriers directly contributed an estimated \$141 million to real GDP in New Brunswick. (See Table 2.) The results of this footprint analysis show that, when including indirect and induced impacts, the total real impact of the industry on GDP jumps to \$278.3 million—a total multiplier effect of 1.97. Furthermore, in 2010, the P&C industry supported approximately 2,650 jobs in the province, reducing the unemployment rate by 0.3 percentage points.

Table 2

Property and Casualty Carriers' Impact on New Brunswick's Key Economic Indicators

(level difference except where otherwise indicated)

	2006	2007	2008	2009	2010
Total P&C insurance carriers (millions of chained \$2002)	146.7	131.0	102.6	143.3	141.0
Total P&C insurance carriers (millions of current \$)	166.5	139.6	110.3	155.7	154.5
Real GDP at market prices (millions of chained \$2002)	324.8	289.8	228.2	316.9	309.8
GDP at market prices (millions of current \$)	336.1	311.8	244.6	336.3	342.3
Real GDP at basic prices (millions of chained \$2002)	294.0	263.1	205.6	284.6	278.3
GDP deflator (percentage difference)	0.0	0.0	0.0	0.0	0.0
Average weekly wages industrial composite (percentage difference)	0.1	0.1	0.1	0.1	0.1
Personal income (millions of current \$)	111.6	114.5	107.2	132.2	142.5
Personal disposable income (millions of current \$)	82.6	89.6	85.5	106.1	116.4
Population of labour force age (thousands)	0.5	1.0	1.4	1.7	2.1
Labour force (thousands)	1.8	1.7	1.4	1.7	1.7
Employment (thousands)	2.8	2.7	2.2	2.7	2.7
Unemployment rate (level difference in rate)	-0.3	-0.3	-0.2	-0.3	-0.3
Retail sales (millions of current \$)	40.1	44.0	41.1	52.8	56.9
Total indirect taxes (millions of current \$)	21.2	19.2	14.8	20.7	17.2
Federal personal income tax collections (millions of current \$)	11.1	8.9	7.9	9.4	8.8
Provincial personal income tax collections (millions of current \$)	8.4	6.4	5.5	6.7	7.0
Corporate profits (millions of current \$)	152.2	116.5	87.2	132.1	144.4
Corporate taxes (millions of current \$)	29.6	18.6	21.8	26.6	35.0
Economic multiplier	2.00	2.01	2.00	1.99	1.97

Sources: The Conference Board of Canada; Statistics Canada.

In 2010, a total of \$142.5 million in personal income can be attributed to the P&C industry in New Brunswick, while corporate profits are lifted by \$144.4 million. Government revenues are also boosted by \$68 million, of which \$35 million are corporate income taxes, \$15.8 million are personal income taxes, and \$17.2 million are indirect taxes. In addition, companies operating in the P&C subsector of the industry paid \$28 million in premium taxes.⁸

Table 3

Property and Casualty Carriers' Impact on New Brunswick's Real GDP, by Industry and Labour Market

(Level difference except where otherwise indicated)

	2006	2007	2008	2009	2010
Real GDP at basic prices (millions of chained \$2002)	294.0	263.1	205.6	284.6	278.3
Other primary	0.6	0.5	0.3	0.6	0.6
Manufacturing	1.9	1.7	1.3	1.9	1.8
Construction	1.7	1.5	1.2	1.6	1.6
Utilities	3.8	3.0	2.7	3.1	3.1
Transportation, storage, and communication	8.3	7.9	5.9	8.1	7.8
Wholesale and retail trade	10.4	10.1	8.2	10.9	10.2
Finance, insurance, and real estate	241.6	213.9	166.6	231.7	228.2
Community, business, and personal services	23.7	22.7	17.9	23.9	22.3
Non-commercial services	2.1	1.5	1.4	1.5	0.6
Public administration and defence	1.8	1.7	1.4	2.6	2.5
Total employment (thousands)	2.84	2.70	2.18	2.69	2.65
Agriculture and other primary sector	0.01	0.01	0.01	0.02	0.01
Manufacturing	0.03	0.02	0.02	0.02	0.02
Construction	0.02	0.02	0.02	0.03	0.03
Utilities	0.02	0.02	0.02	0.02	0.02
Transportation and warehousing	0.04	0.03	0.03	0.03	0.03
Wholesale and retail trade	0.22	0.22	0.18	0.22	0.21
Finance, insurance, and real estate	1.42	1.30	1.26	1.50	1.55
Other commercial service industries	1.01	1.00	0.60	0.78	0.73
Government services	0.02	0.02	0.02	0.03	0.03
Unemployment	-1.05	-1.00	-0.80	-0.96	-0.94
P&C insurance carriers' contribution to GDP	1.3	1.4	1.2	1.0	1.3
P&C insurance carriers' contribution to total employment	0.7	0.8	0.8	0.6	0.7

Sources: The Conference Board of Canada; Statistics Canada.

8. Insurance Bureau of Canada Tax Survey; *Fact Book*.

Table 3 provides a breakdown by industry of the P&C sector's impact on real GDP and employment. This footprint analysis shows that the total impact of the P&C industry accounted for 1.3 per cent of New Brunswick's real GDP in 2010 and 0.7 per cent of provincial employment. The industry that benefits most is the finance, insurance, and real estate sector that, of course, includes the direct benefit of the P&C industry and the substantial indirect benefit the sector has on the agents and brokers network. Real GDP in community, business, and personal services increases by about \$22 million as P&C insurance carriers create demand for legal, accounting, and banking services.

An estimated 2,650 jobs were supported by the P&C industry in 2010. Most of these jobs are in the finance, insurance, and real estate industry although a significant number of jobs are also created in the other commercial services sector. The number of unemployed in New Brunswick is estimated to be reduced by 940 in 2010 due to the job creation generated by P&C carriers. (See box "Capturing Labour Market Impacts.")

Capturing Labour Market Impacts

The Conference Board's economic model of the New Brunswick economy contains an intricate modelling of labour markets. When demand for labour increases, as is the result in this analysis, the increase in employment is not reflected, one-for-one, in a decrease in the number of those unemployed. In fact, a number of other effects that mitigate the impact on the unemployed are captured by the model. For example, labour is regionally mobile and, as employment is lifted in New Brunswick, net-interprovincial migration also increases.

Moreover, as job prospects improve, more people naturally enter the workforce. The increase in participation rates can occur among all age groups but is typical of younger cohorts who tend to opt to work, rather than remain in school, should employment prospects become more favourable. Thus, the simulation results suggest that, although total employment is lifted by roughly 2,650 in 2010, the number of unemployed persons drops by just 940. This is because the labour force is lifted by 1,710 in 2010 with most of this increase due to people deciding to enter (or re-enter) the workforce; only a marginal amount is due to an inflow of interprovincial migrants. Because of the change to the labour force, the impact on the unemployment rate is also mitigated. Overall, the unemployment rate is lowered by 0.3 percentage points in 2010.

4.2 Agencies, Brokerages, and Other Insurance-Related Activities

In 2010, the agents, brokers, and other insurance-related industries directly contributed an estimated \$137.7 million to New Brunswick's real GDP. Results from this footprint analysis show that the multiplier for the industry is 1.35; therefore, when including the indirect and induced impacts of the industry, the contribution jumps to \$186.6 million. (See Table 4.)

Table 4**Agents, Brokers, and Others' Impact on New Brunswick's Key Economic Indicators**

(Level difference except where otherwise indicated)

	2006	2007	2008	2009	2010
Total broker network (millions of chained \$2002)	114.8	120.4	129.4	132.4	137.7
Total broker network (millions of current \$)	130.3	128.3	139.2	143.7	151.0
Real GDP at market prices (millions of chained \$2002)	170.9	179.4	193.8	199.6	207.7
GDP at market prices (millions of current \$)	185.6	195.7	213.5	221.4	239.6
Real GDP at basic prices (millions of chained \$2002)	154.7	162.8	174.6	179.2	186.6
GDP deflator (percentage difference)	0.0	0.0	0.0	0.0	0.0
Average weekly wages industrial composite (percentage difference)	0.1	0.1	0.1	0.1	0.1
Personal income (millions of current \$)	65.8	71.8	81.8	84.2	92.5
Personal disposable income (millions of current \$)	44.4	49.0	57.4	60.6	68.7
Population of labour force age (thousands)	0.4	0.7	1.0	1.3	1.6
Labour force (thousands)	1.2	1.3	1.3	1.3	1.4
Employment (thousands)	2.0	2.0	2.1	2.1	2.1
Unemployment rate (level difference in rate)	-0.2	-0.2	-0.2	-0.2	-0.2
Retail sales (millions of current \$)	22.4	25.0	28.3	30.8	34.9
Total indirect taxes (millions of current \$)	18.1	18.5	19.8	19.1	21.1
Federal personal income tax collections (millions of current \$)	8.7	9.2	10.3	9.4	9.7
Provincial personal income tax collections (millions of current \$)	6.1	6.6	6.6	6.5	6.2
Corporate profits (millions of current \$)	86.8	88.7	99.8	102.6	108.5
Corporate taxes (millions of current \$)	16.6	14.5	24.8	20.7	27.1
Economic multiplier	1.35	1.35	1.35	1.35	1.35

Sources: The Conference Board of Canada; Statistics Canada.

In 2010, the agents and brokers network supported 2,110 jobs in the province and reduced the unemployment rate by 0.2 percentage points. The increase in employment lifted nominal personal income by \$92.5 million, which in turn facilitated \$34.9 million in retail sales. The footprint analysis also suggests that an additional \$108.5 million in corporate profits were supported by the industry's operations. Higher personal income and corporate profits boosted the tax base, resulting in a total increase in tax collections of \$64.1 million in 2010. This included \$27.1 million in corporate taxes, \$15.9 million in personal income taxes, and \$21.1 million in indirect taxes.

The impact by industry of the agents and brokers network is provided in Table 5. The largest increase is in the finance, insurance, and real estate industry due to the direct impact of the brokers' network but there were also notable indirect and induced benefits accruing to the real estate leasing industry. Real output in the community, business, and personal services sector was boosted by an estimated \$11.9 million in 2010 while wholesale and retail trade increased by \$9.7 million, and transportation, storage and communication was boosted by \$7.2 million.

Table 5

Agents, Brokers, and Others' Impact on New Brunswick Real GDP, by Industry and Labour Market

(Level difference except where otherwise indicated)

	2006	2007	2008	2009	2010
Real GDP at basic prices (millions of chained \$2002)	154.7	162.8	174.6	179.2	186.6
Other primary	0.4	0.5	0.4	0.5	0.6
Manufacturing	1.4	1.4	1.5	1.6	1.6
Construction	1.0	1.1	1.2	1.2	1.2
Utilities	3.2	3.1	3.3	3.5	3.8
Transportation, storage, and communication	5.9	6.2	6.7	7.2	7.2
Wholesale and retail trade	8.2	8.4	9.2	9.5	9.7
Finance, insurance, and real estate	123.6	130.0	139.7	143.0	148.6
Community, business, and personal services	9.4	10.4	10.8	11.0	11.9
Non-commercial services	0.0	0.0	0.0	0.0	0.0
Public administration and defence	1.4	1.5	1.6	1.6	1.7
Total employment (thousands)	1.97	2.03	2.13	2.09	2.11
Agriculture and other primary sector	0.01	0.01	0.01	0.01	0.01
Manufacturing	0.02	0.02	0.02	0.02	0.02
Construction	0.02	0.02	0.02	0.02	0.03
Utilities	0.01	0.02	0.02	0.02	0.03
Transportation and warehousing	0.02	0.03	0.03	0.04	0.03
Wholesale and retail trade	0.17	0.18	0.20	0.19	0.19
Finance, insurance, and real estate	1.31	1.32	1.37	1.32	1.32
Other commercial service industries	0.40	0.43	0.43	0.44	0.46
Government services	0.01	0.01	0.01	0.02	0.02
Unemployment	-0.73	-0.75	-0.78	-0.75	-0.75
Brokers & agents' contribution to total real GDP (per cent)	0.7	0.8	0.8	0.8	0.9
Brokers & agents' contribution to total employment (per cent)	0.6	0.6	0.6	0.6	0.6

Sources: The Conference Board of Canada; Statistics Canada.

The results of our footprint analysis suggest that, when the direct, indirect, and induced impacts are included, the agents and brokers network accounted for 0.9 per cent of New Brunswick's real GDP in 2010.

This footprint analysis also indicates that approximately 2,110 jobs in New Brunswick are supported by the agents and brokers network, representing 0.6 per cent of provincial employment. The majority of these jobs are in the finance, insurance, and real estate industry where over 1,300 jobs are sustained by the agents and brokers network. The number of persons unemployed in the province is reduced by 750 due to the agents and brokers contribution to the economy.

4.3 Insurance Industry

Real GDP in New Brunswick's insurance industry is estimated at \$440.1 million in 2010. When including indirect and induced impacts, the real GDP footprint of the insurance industry was \$781.2 million—a multiplier effect of 1.78. (See Table 6.) The total increase in real GDP resulting from the insurance industry sustained an estimated 8,090 jobs in New Brunswick in 2010.

Higher employment, in turn, resulted in an estimated increase of \$383 million in personal income in 2010, supporting retail sales of \$144.7 million in the province. Additional income flows to the province in the form of corporate profits; activity from the insurance industry boosts corporate profits by \$408.4 million in 2010. The increase in economic activity increases government revenues by \$228.8 million, made up of corporate income taxes, personal income taxes, and indirect taxes collected by federal and provincial levels of government.⁹

9. Note that this estimate does not include premium taxes paid by insurance companies. P&C companies paid \$28 million in premium taxes in 2010. It also excludes the premium taxes paid by medical, health, and life insurers where the tax rate is 2 per cent of premium income on life premiums and 3 per cent of income on non-life insurance premiums.

Table 6**Total Insurance Industry's Impact on New Brunswick Key Economic Indicators**

(Level difference except where otherwise indicated)

	2006	2007	2008	2009	2010
Total insurance industry (millions of chained \$2002)	397.5	399.6	417.3	433.3	440.1
Total insurance industry (millions of current \$)	285.8	287.4	339.7	315.9	329.1
Real GDP at market prices (millions of chained \$2002)	789.1	788.3	824.4	860.6	869.7
GDP at market prices (millions of current \$)	824.0	847.4	893.7	934.0	978.7
Real GDP at basic prices (millions of chained \$2002)	714.2	715.5	742.5	773.0	781.2
GDP deflator (percentage difference)	0.0	0.0	0.0	0.0	0.0
Average weekly wages industrial composite (percentage difference)	0.1	0.1	0.1	0.1	0.1
Personal income (millions of current \$)	255.3	283.2	324.0	340.8	383.0
Personal disposable income (millions of current \$)	179.0	204.1	236.9	256.3	295.2
Population of labour force age (thousands)	1.4	2.6	3.7	4.9	6.1
Labour force (thousands)	4.5	4.7	4.9	5.0	5.2
Employment (thousands)	7.1	7.4	7.8	7.8	8.1
Unemployment rate (level difference in rate)	-0.8	-0.8	-0.8	-0.8	-0.9
Retail sales (millions of current \$)	88.3	100.9	115.1	126.8	144.7
Total indirect taxes (millions of current \$)	60.4	62.5	67.9	68.1	70.3
Federal personal income tax collections (millions of current \$)	29.9	30.6	35.2	32.3	33.9
Provincial personal income tax collections (millions of current \$)	21.9	22.2	23.6	23.1	23.1
Corporate profits (millions of current \$)	354.8	327.5	355.4	373.3	408.4
Corporate taxes (millions of current \$)	68.1	53.2	88.6	75.4	101.5
Economic multiplier	1.80	1.79	1.78	1.78	1.78

Sources: The Conference Board of Canada; Statistics Canada.

The impact of the insurance sector on the different industries in New Brunswick is shown in Table 7. When including the direct, indirect, and induced impacts of the insurance sector, the economic footprint of the industry accounted for 3.5 per cent of New Brunswick's total real GDP in 2010 and sustained 2.3 per cent of provincial employment.

The industry that benefits the most from the insurance sector is the finance, insurance, and real estate industry followed by the community, business, and personal services sector, and the wholesale and retail trade industry. The insurance industry supported an estimated 8,090 jobs in the province in 2010 and reduced provincial unemployment by 2,890.

Table 7**Total Insurance Industry's Impact on New Brunswick's Real GDP, by Industry and Labour Market**

(Level difference except where otherwise indicated)

	2006	2007	2008	2009	2010
Real GDP at basic prices (millions of chained \$2002)	714.2	715.5	742.5	773.0	781.2
Other primary	1.8	1.8	1.7	2.0	2.2
Manufacturing	5.1	5.1	5.3	5.5	5.6
Construction	4.2	4.2	4.4	4.6	4.7
Utilities	10.3	9.7	10.4	10.6	11.0
Transportation, storage, and communication	21.5	21.7	21.9	23.6	23.2
Wholesale and retail trade	28.3	29.0	30.3	32.0	31.2
Finance, insurance, and real estate	582.5	580.6	602.2	626.4	634.9
Community, business, and personal services	54.6	57.2	59.7	61.1	61.1
Non-commercial services	2.1	1.5	1.4	1.5	0.6
Public administration and defence	5.4	5.6	6.0	6.8	6.8
Total employment (thousands)	7.11	7.45	7.81	7.83	8.09
Agriculture and other primary sector	0.04	0.03	0.04	0.04	0.05
Manufacturing	0.07	0.07	0.08	0.07	0.07
Construction	0.06	0.07	0.07	0.09	0.10
Utilities	0.05	0.06	0.08	0.07	0.08
Transportation and warehousing	0.04	0.05	0.04	0.05	0.04
Wholesale and retail trade	0.60	0.64	0.61	0.60	0.59
Finance, insurance, and real estate	4.10	4.26	4.89	4.85	5.20
Other commercial service industries	2.05	2.16	1.91	1.92	1.89
Government services	0.09	0.11	0.10	0.11	0.12
Unemployment	-2.63	-2.77	-2.89	-2.82	-2.89
Insurance industry contribution to total real GDP (per cent)	3.3	3.3	3.5	3.6	3.5
Insurance industry contribution to total employment (per cent)	2.0	2.1	2.2	2.2	2.3

Sources: The Conference Board of Canada; Statistics Canada.

5.0 Conclusion

Insurance is an essential part of New Brunswick's economy. In addition to its role in facilitating economic activity by mitigating personal and corporate risk, the industry is a significant contributor to economic activity in the province.

The goal of this analysis was to quantify the total economic footprint of the industry. This includes not only the GDP and employment directly attributed to the sector, but also the supply-chain impacts and demand that this activity generates across other industry sectors in the province.

Our analysis shows that, in 2010, insurance activity directly contributed \$440.1 million in real GDP to the economy. When indirect and induced impacts are calculated, the insurance sector's contribution to the economy in 2010 is lifted to \$781.2 million, approximately 3.5 per cent of real GDP. The total increase in economic activity attributed indirectly and directly to the insurance industry served to sustain 8,090 jobs in New Brunswick.

Our analysis also examined the economic footprint of the P&C carriers industry and the agents and brokers network. Our findings suggest that the P&C carriers' subsector of the insurance industry supported roughly 2,650 jobs in 2010 and contributed \$278.3 million to real GDP, while agents, brokers, and other insurance-related activity contributed \$186.6 million to real GDP and supported about 2,110 jobs in New Brunswick.

Appendix A

The following definitions have been copied from Statistics Canada's website and refer to the NAICS 2007 classification.¹⁰

A.1 Insurance Carriers – NAICS code 5241

This industry group comprises establishments primarily engaged in underwriting annuities and insurance policies, and reinsurance. The establishments in this group invest premiums to build up a portfolio of financial assets to be used against future claims. Contributions and premiums are set on the basis of actuarial calculations of reserves. Direct insurance carriers that are primarily engaged in underwriting annuities and insurance policies directly to policyholders, and reinsurance carriers that are primarily engaged in assuming all or part of the risk associated with existing insurance policies originally underwritten by other insurance carriers are included. Industries are defined in terms of the type of risk against which the policyholders are being insured, such as death, loss of employment due to age or disability, and property damage.

A.2 Agencies, Brokerages, and Other Insurance-Related Activities – NAICS code 5242

This industry group comprises establishments primarily engaged in selling insurance or providing services related to insurance.

Agencies and brokerages are composed of establishments primarily engaged in selling insurance and pension products. The staff of these agencies and brokerages are not employed by the insurance carriers they represent. It excludes insurance agencies with staff employed by the carriers they represent, which are classified in 5241.

Other insurance-related activities are composed of establishments, not classified to any other industry, primarily engaged in providing, on a contract or fee basis, services related to providing insurance, such as claims administration, and adjusting. The staff of these establishments are not employed by the insurance carriers they represent. It excludes establishments primarily engaged in third-party portfolio management of funds' assets.

10. http://stds.statcan.gc.ca/naics-scian/2007/cs-rc-eng.asp?criteria=5241&keyword=insurance&table=3&code_level=

and http://stds.statcan.gc.ca/naics-scian/2007/cs-rc-eng.asp?criteria=5242&keyword=insurance&table=3&code_level=