



NEW BRUNSWICK'S INSURANCE INDUSTRY: AN ECONOMIC GROWTH ENGINE

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Insurance Bureau of Canada

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1. INTRODUCTION

1.1 Context

The insurance industry is an important economic engine for New Brunswick. Not only does it provide a vital service to residents and businesses, it also generates a broad economic footprint creating good paying jobs and high levels of taxation for governments. Unlike many industries, the value added from the insurance sector primarily remains in the province.

New Brunswick is home to a number of regional insurance head offices including Medavie Blue Cross, Cooperators Insurance, Assumption Life and Wawanesa. Other insurance firms have been expanding their operations in the province and now provide services for markets across Canada. Section 4 provides details on the growing importance of insurance-related exports to the economy in New Brunswick.

The insurance industry broadly is made up of life, health and medical insurance; property and casualty insurance (including auto, home and business); reinsurance providers as well as insurance agencies and brokerages. In New Brunswick, there are over 380 companies in the sector directly employing some 4,900 people (in 2010). The insurance providers are located mostly in Moncton and Saint John but a large network of insurance brokers, claims adjusters and other related services provide economic benefits in communities throughout the province.

The insurance industry's impact goes well beyond direct employment and wages. Many jobs in the legal services, construction, auto repair, medical services and other industries are indirectly linked to the sector. Indeed the insurance sector is a necessary enabler of business and community activity of all kinds. For every dollar of insurance premiums paid in New Brunswick nearly 77 cents worth of gross domestic product (GDP) is generated throughout the provincial economy.

The insurance industry in New Brunswick pays above average wages and is environmentally friendly as well as a large contributor to the provincial economy. In 2010, the sector was estimated to provide over \$228 million in corporate income tax, personal income tax and indirect tax revenues to the federal and provincial governments¹.

The industry is also an export sector for New Brunswick. Nearly 40 per cent of the insurance companies consulted for this report indicated they support other markets in Atlantic Canada or the rest of Canada from their New Brunswick operations.

1.2 Objectives of the report

This report has several main objectives:

- To provide a good overview of the industry and its economic impact in New Brunswick;
- To evaluate the value proposition for the sector that will enhance potential expansion and investment attraction; and
- To provide a vehicle for the industry to strengthen its profile and position in the New Brunswick economy.

¹ Section 3 provides more detail. Also see *Assessing the Impact of the Insurance Sector in New Brunswick* prepared by the Conference Board of Canada for this project.

1.3 Property and casualty insurance focus

The medical, health and life insurance sector is an important part of the New Brunswick insurance industry. Because of companies such as Medavie Blue Cross and Assumption Life, the employment impact from medical, health and life insurance is higher than it otherwise would be if it was just serving the local in-province market.

However, for this report a particular focus is made on the property and casualty insurance sector as well as the broker network that plays an important intermediary and support role for the consumer.

The overall mandate of this project is to engage the leaders in the property and casualty insurance sector to help articulate the sector's impact, fleshing out its value proposition and setting a path for company retention, expansion and attraction. To achieve this mandate, the project consultant undertook a broad-based consultative process utilizing a mix of face-to-face industry executive interviews and online surveys of both the insurance providers and the insurance broker network.

1.4 Scope of the research

In total, 47 different insurance companies and insurance brokers were consulted. The project consultant interviewed 14 property and casualty insurance providers, two health and life insurance firms and one title insurance firm. Collectively, these 16 firms make up more than 70 per cent of the insurance provider employment in New Brunswick. The rest of the firms consulted were insurance brokers – nearly one third of insurance brokerages in New Brunswick filled out an online survey and provided valuable insight into this important part of the insurance industry in the province.

In addition to direct executive consultations, the project consultant reviewed a variety of secondary research projects and other insurance sector development initiatives in order to bring insight to the process.

The Conference Board of Canada was retained to develop a detailed analysis of the economic footprint of the industry in New Brunswick. A summary of their findings is found in this report.

2. THE INSURANCE INDUSTRY IN NEW BRUNSWICK

2.1 Overview

Insurance plays a critical role in the New Brunswick economy by assuming part of the financial risk inherent in running a business, driving a car, or owning or renting a home. In 2010, the property and casualty insurance industry paid out in New Brunswick over \$546.8 million in net claims for personal property, commercial property, auto, liability as well as other types of insurance coverage.

The insurance industry in New Brunswick is made up of over 380 firms operating in four main sub-sectors:

- Life, health and medical insurance
- Property and casualty insurance (including auto, home and business)
- Reinsurance providers
- Insurance agencies and brokers

Over forty firms provide various types of insurance products and the rest of the firms provide services and distribution for the industry². There are 20 life, health and medical insurance providers (NAICS 52411³) with operations in New Brunswick. Most of Canada's top firms in this sector have offices in the province including: Medavie Blue Cross, Manulife Financial, Sun Life Financial and Assumption Life. There are 22 property and casualty insurance providers (including auto, home and business) with operations in New Brunswick (NAICS 52412). Most of these firms are located in either the Moncton or Saint John regions. In 2010, property and casualty as well as life, health and medical insurance providers employed directly more than 3,600 people in New Brunswick.

There are over 300 insurance agencies, brokerages and related firms in New Brunswick (NAICS 52421 and 52429). This sector directly employs approximately 1,300 people. Over 50 per cent of insurance agencies and brokerages are located outside the Greater Saint John and Moncton regions. A survey of 29 insurance brokerages in New Brunswick conducted for this report found that 58 per cent have been increasing employment and only 6 per cent have had to reduce employment in the past three years. Table 1 shows the breakdown of firms in the industry with operations in New Brunswick by sub-sector.

Table 1: Insurance Companies in New Brunswick (by Five Digit NAICS)

<u>NAICS:</u>	<u>Description:</u>	<u># of Firms:</u>
52411	Direct Life, Health and Medical Insurance Carriers	20
52412	Direct General Property , Casualty Insurance Carriers and Auto Insurance Carriers	22
52421	Insurance Agencies and Brokerages	287
52429	Other Insurance Related Activities	56
	Total Firms	385

Source: Statistics Canada - Canadian Business Patterns (June 2011)

² It is important to point out this table only represents insurance firms with physical operations in the province. Other insurance firms are active in the market but not have a physical presence.

³ North American Industry Classification System (NAICS).

According to the Conference Board of Canada economic footprint analysis, the insurance industry in New Brunswick directly contributed \$440.1 million to real gross domestic product (GDP) in 2010⁴. Including indirect and induced impacts, the sector supports an estimated 8,090 jobs in the province and adds \$781.2 million annually in real terms to the New Brunswick economy (GDP). See Section 3 for more findings from this study.

2.2 Major insurance firms in New Brunswick

Table 2 shows a list of selected national and international insurance industry firms that have significant operations in New Brunswick. The list includes both health and life insurance companies as well as property and casualty insurance providers. There is one insurance brokerage on the list as well.

Table 2: Selected Insurance Companies with Operations in New Brunswick

200 employees or more

- ⇒ **MEDAVIE BLUE CROSS.** Founded in 1943, Medavie Blue Cross provides health, dental, travel, life and disability benefits for government and private businesses. The company's national head office and other related businesses such as Blue Cross Life are based in New Brunswick.
- ⇒ **TD INSURANCE.** One of the fastest growing insurance firms in Canada, TD Insurance has been growing rapidly in New Brunswick in recent years. The company was named one of the 50 best employers in Canada in 2009 by *Report on Business* magazine.
- ⇒ **COOPERATORS INSURANCE.** With its regional head office in Moncton, Cooperators has been growing strongly in recent years.
- ⇒ **ASSUMPTION LIFE.** One of the largest health and life insurance firms in New Brunswick, the firm has been growing its markets outside the province in recent years.

Between 75 and 200 employees

- ⇒ **WAWANESA MUTUAL INSURANCE.** With its regional head office in Moncton, Wawanesa is one of the top five insurance company employers in New Brunswick.
- ⇒ **HUESTIS INSURANCE GROUP.** Based in Saint John, the Huestis Insurance Group is the largest insurance brokerage firm in New Brunswick with operations in over 20 communities around the province.
- ⇒ **FIRST CANADIAN TITLE.** A recent addition to the New Brunswick insurance industry, First Canadian Title is Canada's leading provider of title insurance. The firm expects continued growth in the province.
- ⇒ **ALLSTATE CANADA GROUP.** The firm operates three companies in New Brunswick: Allstate Insurance Company of Canada, Pembroke Insurance Company and Pafco Insurance.

Over 25 but under 75 employees

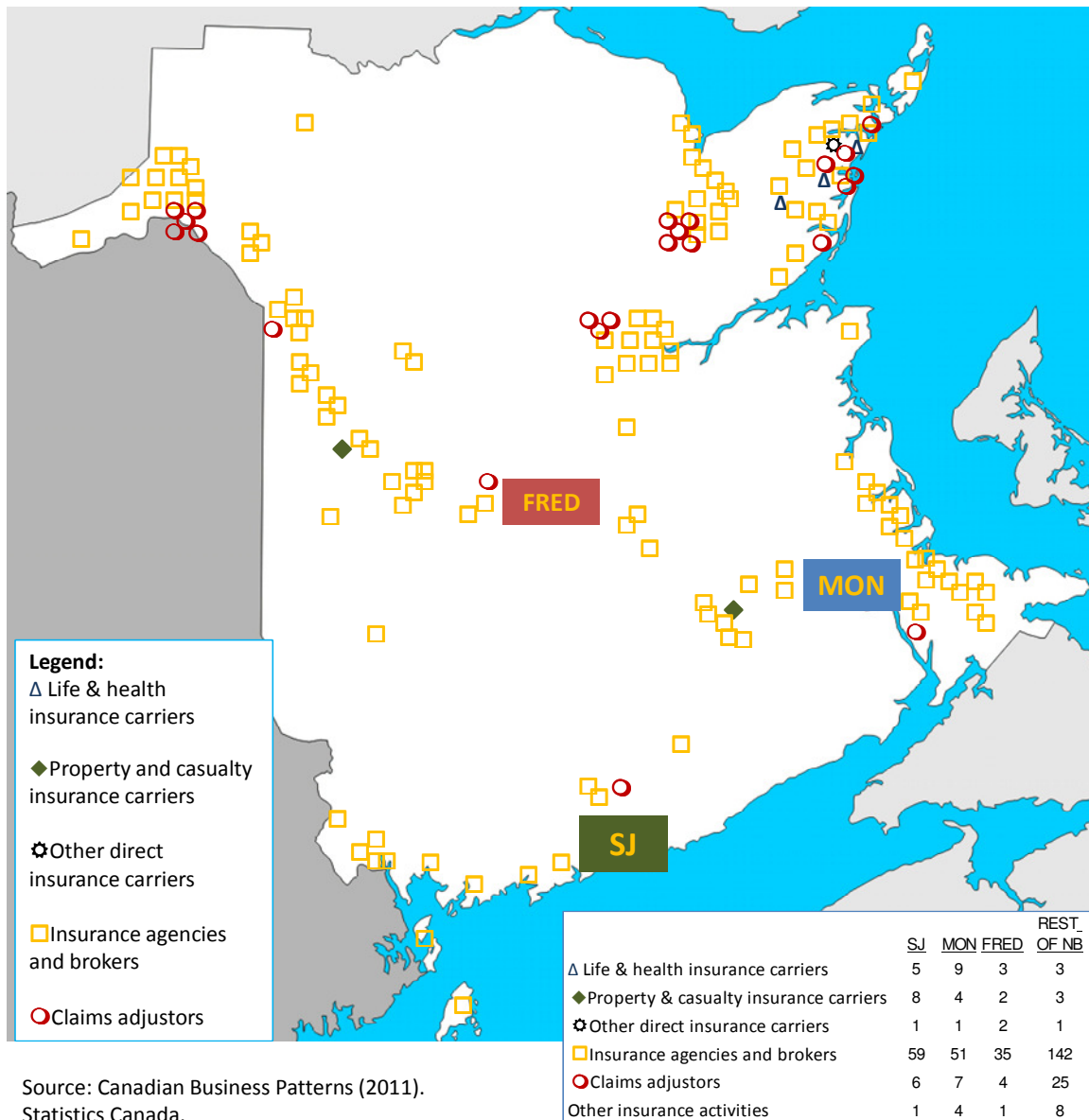
- ⇒ **AVIVA CANADA INC.** Aviva PLC is the fifth largest insurance group in the world and one of the leading property and casualty insurance companies in Canada with over 3 million customers.
- ⇒ **THE ECONOMICAL INSURANCE GROUP.** Founded in 1871, The Economical Insurance Group provides home, automobile and commercial insurance products to more than one million policyholders across Canada.
- ⇒ **INTACT INSURANCE.** Canada's largest home, auto and business insurance company recently acquired AXA Canada.
- ⇒ **JOHNSON INSURANCE.** Part of the global RSA Group, Johnson has been writing insurance in Canada for over 125 years.

⁴ Expressed in chained 2002 dollars.

2.3 Regional breakdown of the insurance industry

The insurance industry is widely distributed around New Brunswick. According to Statistics Canada there is at least one company (provider, brokerage/agency, claims adjuster, etc.) in more than 80 communities around the province. Northeastern New Brunswick, from the Miramichi to Campbellton, is home to 66 different firms. Northwestern New Brunswick (from Woodstock to the Quebec border) has 55 different insurance-related firms. There are 65 firms in the Fredericton area, 99 in Greater Moncton (southeastern New Brunswick) and 100 firms in Greater Saint John (from St. Stephen to Hampton). This represents only the direct firms and doesn't include the hundreds of firms involved in auto repair, construction, physiotherapy and other service providers to the industry.

Figure 1: The Insurance Industry around New Brunswick (2011)



Source: Canadian Business Patterns (2011).
Statistics Canada.

2.4 The importance of small businesses

Like most industries, the insurance industry in New Brunswick is dominated by relatively small firms providing services in communities large and small across the province.

There are a few large insurance company operations in the Moncton and Saint John regions but the bulk of the industry's firms are small and dispersed. Over 81 per cent of the firms have less than 10 employees and 97 per cent have less than 50 employees.

Over 84 per cent of the province's insurance agency and brokerage establishments have less than 20 employees and 98 per cent of the firms have less than 50 employees.

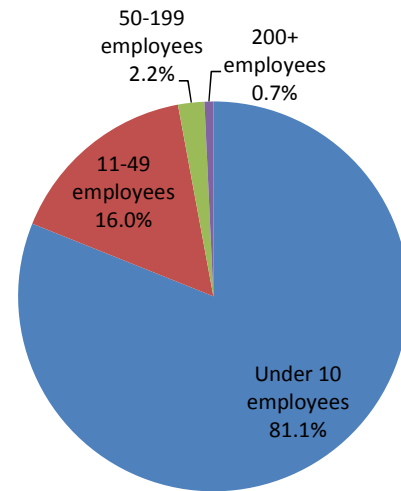
2.5 Employment trends

The insurance industry in New Brunswick has been one of the province's fastest growing industries in the past few years. While overall employment in the province is up only five per cent from 2004 to 2010, insurance employment is up by nearly 50 per cent during the same period. Since 2004, the insurance sector (including the insurance providers and brokerages) has added 1,600 new jobs. This is by far the fastest insurance industry growth rate among all ten Canadian provinces.

What makes this trend even more impressive is that just insurance providers (not including brokers, agents and services) have added nearly 1,700 jobs and have grown their employment in the province by 87 per cent since 2004 – three times faster than the next closest province (Manitoba) which grew its insurance provider employment by 27 per cent⁵. Across the country, insurance providers have grown employment by 11 per cent from 2004 to 2010.

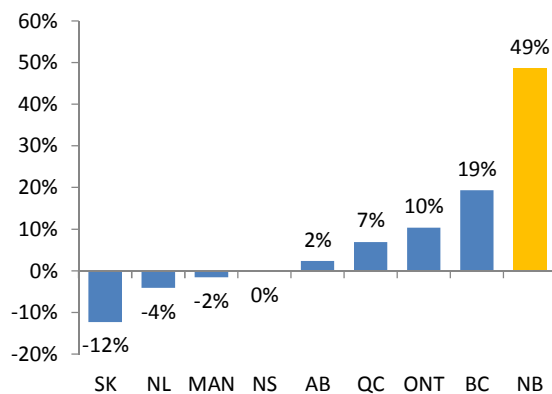
Companies such as Medavie Blue Cross, TD Insurance, First Canadian Title and The Cooperators are driving the growth of insurance employment in recent years. The industry is poised for another potential growth spurt over the next three years (see Section 4).

Figure 2: Insurance Firms in New Brunswick by Employment Level (2011)



Source: Statistics Canada. Canadian Business Patterns (June 2011).

Figure 3: Insurance Industry Employment Trend % Change (2004-2010)



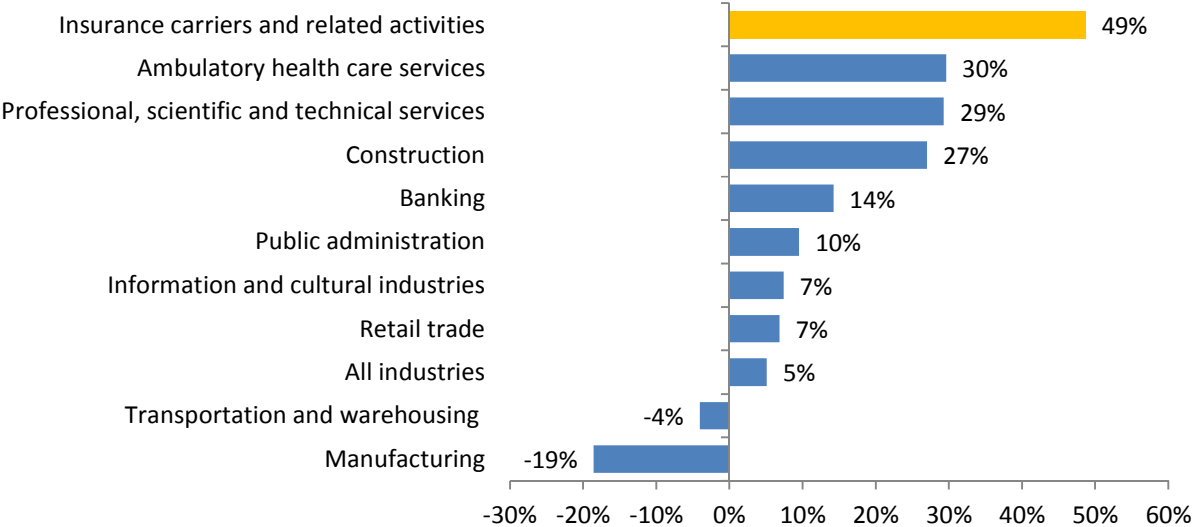
For NAICS 524 Insurance carriers and related activities.
Source: Statistics Canada. Table 281-0024.

⁵ Like most provinces, New Brunswick employment in NAICS 5242- Agencies, brokerages and other insurance related activities – has declined slightly in recent years as the result of market changes and consolidation in the broker segment.

In 2004 there were 10.8 persons working directly in the insurance industry per 1,000 employed persons across the province. By 2010, that had jumped to 15.3 per 1,000. New Brunswick now has the third largest insurance sector (measured by employment) among the ten provinces in Canada. As outlined in section 3 below, the insurance industry directly and indirectly supports more than 8,000 jobs across the province.

Insurance has been a bright spot for the New Brunswick economy compared to many other sectors. It has been one of the fastest growing industries since the early part of the last decade.

Figure 4: Employment Growth - % (2004 to 2010)

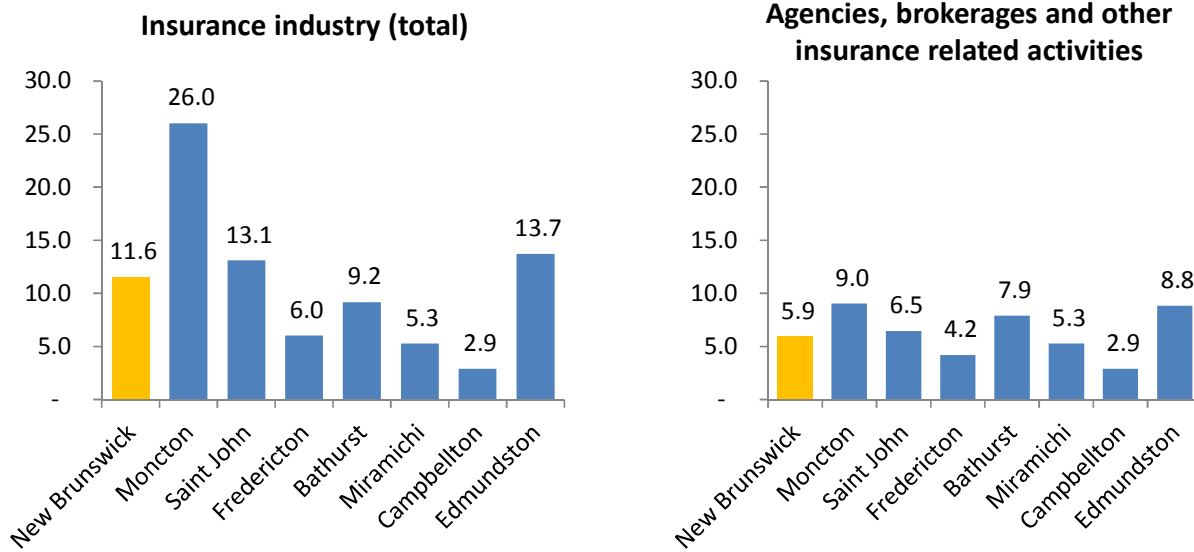


Source: Statistics Canada. Table 281-0024.

The majority of employment in New Brunswick's insurance industry is generated by national and international insurance providers (74 per cent) while insurance brokers and other services (such as independent claims adjusters) make up 26 per cent of total employment. New Brunswick has about the same level of insurance brokers as other provinces but it has a well above average level of insurance provider employment. The insurance broker segment of the industry is primarily locally owned and controlled.

While we do not have recent insurance industry employment figures at the local community level in New Brunswick, the 2006 Census provided a good indication of the regional employment split around the province. Figure 5 below shows that the Moncton region had the largest concentration of employment (measured by intensity of employment). Saint John had the second highest number of overall insurance sector workers but adjusted for the size of the economy, Edmundston had a higher concentration of workers. Bathurst and Edmundston had a higher than average concentration of agency, broker and other insurance related employment.

Figure 5: Insurance Industry Employment per 1,000 in the Labour Force (2006)



Source: Statistics Canada 2006 Census.

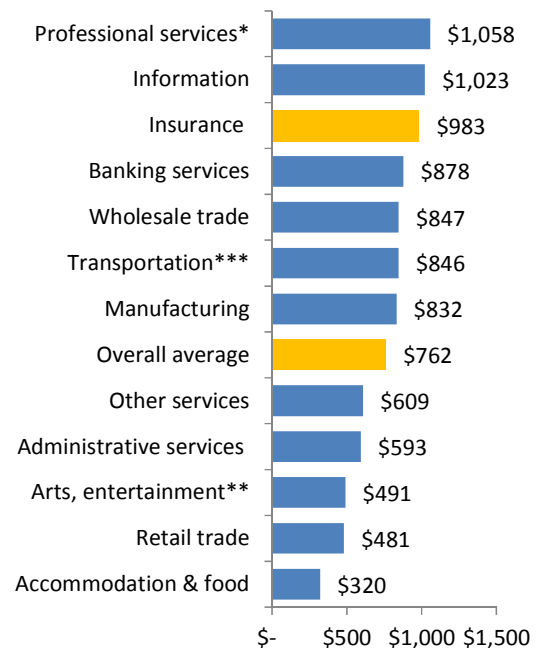
2.6 Wage levels

Another important attribute of the insurance industry is that it offers relatively high wages. The average weekly earnings was \$983 (including overtime) in 2010 - one of the highest among the main sectors of the economy in New Brunswick. The average worker in the insurance industry earns 29 per cent more than other workers across the province.

The insurance providers themselves in the province (not including brokers and other service providers) paid average weekly earnings of \$1,012 or about \$52,600 per year⁶.

Since 2004, insurance sector average weekly earnings in New Brunswick have risen by 14 per cent. This was a slower pace of wage growth than across the economy as a whole (21 per cent increase). Across Canada, the average wage in the insurance industry grew by 24 per cent over the same time frame. One contributing factor to the lack of wage growth is likely the large influx of new workers at the entry level wage scale for the companies. There have been a considerable number of customer service-related jobs created in the past few years.

Figure 6: Average Weekly Wages in New Brunswick (2010)



*including scientific and technical services.

**and recreation.

***and warehousing.

Source: Statistics Canada. Table 281-0027.

⁶ The most recent available data for this sector is 2008.

The higher wages in the insurance industry translate into higher taxes paid to government. The table below shows the estimated 2010 personal income tax bill for the insurance sector compared to other industries in New Brunswick. The table is based on the Ernst & Young personal income tax calculator and shows the income tax owing less the basic personal tax credit, but not including further non-refundable tax credits.

The average insurance employee faces an income tax bill more than 50 per cent higher than the average worker across the economy. In fact the tax bill faced by the average employee in the insurance industry is higher than the vast majority of other industries across the province.

Table 3: Income Tax Bill for Various Industries in New Brunswick (2010)

	2010 Income Tax Bill	% Difference from the All Industry Average
All Industries	\$ 7,225	
Professional, scientific and technical services	\$ 12,349	71%
Public administration	\$ 12,010	66%
Information and cultural industries	\$ 11,718	62%
Insurance carriers and related activities	\$ 11,021	53%
Educational services	\$ 9,206	27%
Credit intermediation and related activities	\$ 9,148	27%
Wholesale trade	\$ 8,606	19%
Transportation and warehousing	\$ 8,592	19%
Manufacturing	\$ 8,333	15%
Health care and social assistance	\$ 7,129	-1%
Other services (except public administration)	\$ 5,191	-28%
Administrative and support services	\$ 4,975	-31%
Arts, entertainment and recreation	\$ 3,526	-51%
Retail trade	\$ 3,391	-53%
Accommodation and food services	\$ 1,129	-84%

Source: Ernst & Young Income Tax Calculator.

2.7 Export Intensity

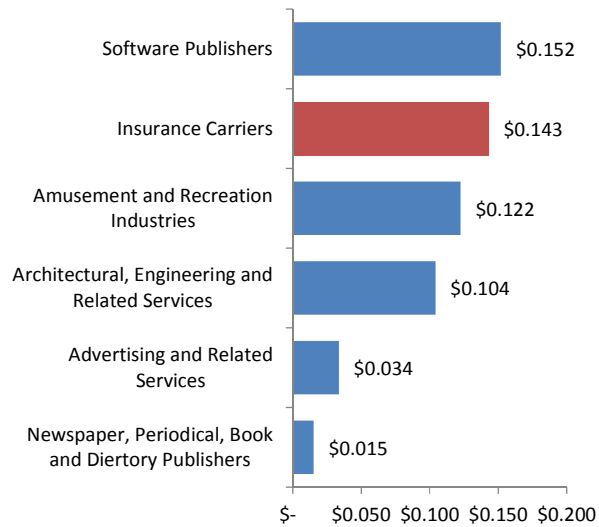
Statistics Canada provides information on the international export provide of industries across Canada. Based on their data, New Brunswick has the most export-intensive insurance industry among the 10 provinces in Canada. For every dollar of insurance carrier industry output, there was \$0.143 worth of international exports in 2008⁷ - 25 percent higher than the national average.

Insurance is also one of New Brunswick's biggest services-based export industries well above other industries such as engineering, advertising, accounting and publishing.

⁷ The most recent year for which data is available.

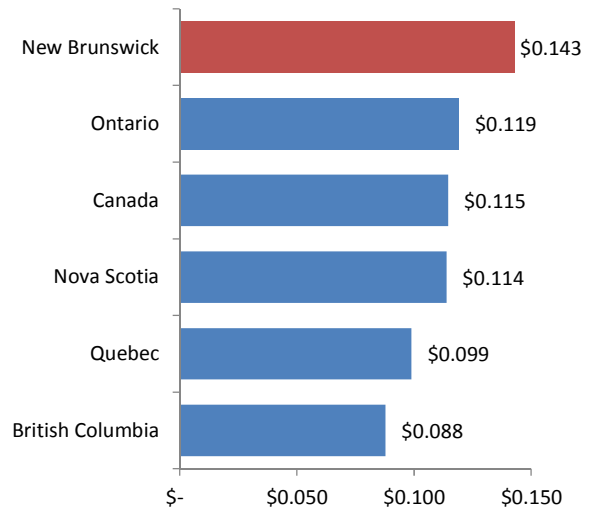
Figure 6a: Exporting Insurance Services

International Exports per \$1 of Industry Output
Export Intensive Service Industries
New Brunswick



Source: Statistics Canada. Provincial Input-Output Multipliers, 2008 Multipliers and ratios per \$1 of exogenous industry output shock

Insurance Industry Export Intensity
International Exports per \$1 of Industry Output



Source: Statistics Canada. Provincial Input-Output Multipliers, 2008 Multipliers and ratios per \$1 of exogenous industry output shock

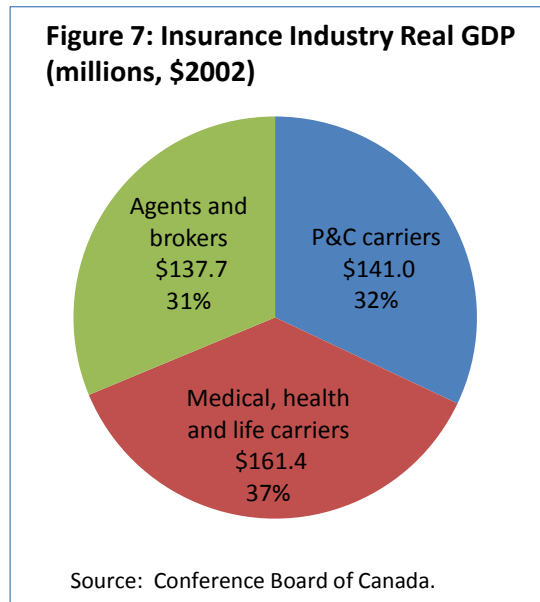
3. INSURANCE IN NEW BRUNSWICK: ECONOMIC FOOTPRINT

3.1 GDP and employment impacts

Insurance is an indispensable part of the provincial economy. It is an essential mechanism for spreading risk, and sharing the potential losses of the few among many.

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 Conference Board of Canada was retained to help determine the direct and indirect economic impacts of the insurance sector in New Brunswick.

In 2010, the Conference Board of Canada estimates that total real GDP directly attributed to New Brunswick’s insurance sector was \$440.1 million. Of this amount, the insurance providers contributed⁸ \$302.4 million, while the agent and broker network contributed an additional \$137.7 million. It is estimated that 32 per cent of insurance provider activity in 2010 was attributable to the property and casualty (P&C) sector, translating into a direct contribution to GDP of \$141 million. The health and life insurance providers sector accounted for 37 per cent and the insurance agents and brokers sector made up the remaining 31 per cent of the direct economic impact.



The economic influence of the industry extends well beyond its direct impact. There is a multiplier effect that provides indirect and induced economic impacts. Indirect (or supply-chain) effects include suppliers, such as legal, adjusting services, auto repair, etc. Induced effects produce a wider impact on all sectors of the economy, largely through a general increase in consumer spending. Thus, economic activity in the insurance sector results in considerable spending in many other industries including, finance and insurance; professional, scientific, and technical services; information and cultural; retail and wholesale trade; administrative support; and utilities. Adding together the direct, indirect, and induced impacts provides full economic impact of the industry on the provincial economy (Table 4).

Table 4: GDP and Employment Impacts in New Brunswick (2010)

Direct, indirect and induced impacts

	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	<u>137.7</u>	<u>1.35</u>	<u>186.6</u>	<u>2,107</u>
Total insurance industry	\$440.1	1.78	\$781.2	8,092

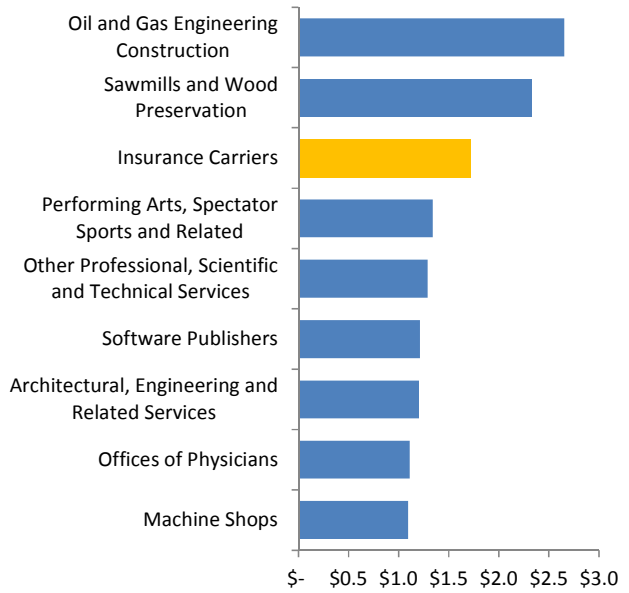
Sources: The Conference Board of Canada; Statistics Canada.

⁸ Both the property and casualty and the health and life insurance sectors.

An analysis of the P&C sector 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. The multiplier for health and life insurance providers is similar to P&C although with a different economic benefit distribution pattern. The Conference Board estimates this sector generated a total of \$316.3 million in GDP in 2010 and supported 3,335 jobs.

Insurance providers have one of the highest indirect GDP impacts of any industry in New Brunswick. For every direct dollar's worth of GDP, Figure 8 shows the direct and indirect GDP contribution for various industries in New Brunswick. Only very supply chain heavy industries such as sawmills and oil and gas engineering construction have a higher GDP multiplier than the insurance provider sector.

Figure 8: Total (Direct & Indirect) GDP in New Brunswick - Per \$1 of Direct GDP

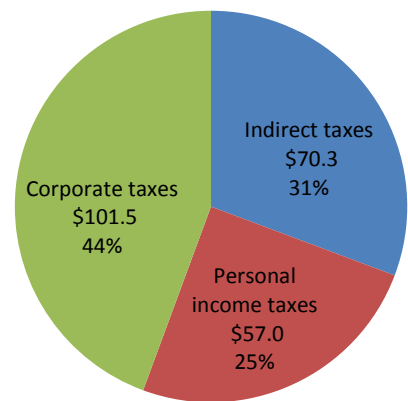


Source: Statistics Canada I/O Tables 2007.

The direct contribution to GDP for the insurance agents and brokers network in 2010 was \$151 million, with a total economic footprint estimated to have been \$186.6 million. At 1.35, the multiplier is lower than that of the P&C or health and life insurance provider sectors, yet still compares favorably to other service producing industries in the province. The total employment impact of the agents and brokers sector was 2,110 jobs in 2010.

In total, New Brunswick's insurance industry directly contributed \$440.1 million in 2010 to the provincial economy. However, when all spinoff 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 sector supports nearly 8,100 jobs in the province, considerably more than the 4,890 who were directly employed by the sector in 2010.

Figure 9: Insurance Industry Tax Impacts – 2010 (Millions)



Source: Conference Board of Canada.

3.2 Tax impacts

3.2.1 Property and casualty insurance industry

As shown in Table 5, the property and casualty insurance industry in New Brunswick directly provides significant revenue to provincial and local governments⁹. In 2010, the P&C industry generated over \$65 million worth of taxes and another \$20.2 million worth of health care levies. The firms paid \$500,000 worth of property taxes on their facilities in New Brunswick.

Table 5: Direct Taxes Generated by the Property and Casualty Insurance Industry in New Brunswick (2010) in \$Millions

Income taxes (corporate income tax only)	\$11.7
Property and business taxes	0.5
HST on claims and operating costs	25.2
Insurance premium taxes	<u>28.0</u>
Total taxes	\$65.4
Health care levies	<u>20.2</u>
Total Taxes and Levies	\$85.6

Source: Insurance Bureau of Canada.

Municipal governments benefit from the property taxes generated both from the corporate facilities and the homes in which employees live. It is also important to point out that indirect and induced employment income generated by the insurance industry leads to substantial local property tax revenue. Based on the level of personal income calculated by the Conference Board of Canada, the insurance sector supports an estimated \$6.5 million in residential property taxes each year¹⁰.

3.2.1 Tax impacts: Total insurance industry – direct, indirect and induced

The Conference Board of Canada report measures the overall increased economic activity and employment created by the insurance industry which 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 are estimated to have flowed to government coffers as a result of New Brunswick's insurance industry.¹¹

3.3 Income and consumer spending impacts

According to the Conference Board of Canada report, the insurance industry in New Brunswick generates a total of \$383 million per year worth of personal income and \$295.2 million worth of personal disposable income (after taxes). This level of personal income will support \$114.7 million worth of retail sales each year.

⁹ The direct taxation data for the health, life and medical insurance sector is not available.

¹⁰ Source: Based on the average household expenditure on property taxes each year.

¹¹ This includes: corporate income taxes, personal income taxes, and indirect taxes collected. It excludes premium taxes paid by insurance companies.

Using the average household spending figures developed by Statistics Canada, we can estimate how this personal income is disbursed throughout the provincial economy. The insurance industry supports some \$66.5 million worth of spending each year on shelter (mortgage payments, rent, etc.) and another \$21.6 million on household operation (utilities, maintenance, etc.).

The industry supports over \$60 million worth of spending on personal vehicles, operation and maintenance. It also supports some \$42 million worth of spending on groceries, restaurants, etc.

Table 6: Estimated Consumer Spending Impacts in New Brunswick (2010)

From personal income supported by the insurance industry

Shelter	\$66.5 million
Transportation	\$60.1 million
Food	\$42 million
Recreation	\$24 million
Household operation	\$21.6 million
Clothing	\$14 million
Health care	\$14 million
Household furnishings and equipment	\$10.2 million
Gifts of money and contributions	\$9 million
Personal care	\$6.4 million
Education	\$5.3 million

Estimated using Statistics Canada CANSIM Table 203-0001 - Survey of household spending (SHS), household spending, summary-level categories, by province, territory and selected metropolitan areas.

3.4 Investing in Canada and New Brunswick

Another little known fact is that insurance companies are investing directly in Canada and in New Brunswick through the purchase of federal and provincial bonds as well as Canadian corporate bonds and company shares. In 2010, Canadian property and casualty insurance firms had more than \$77 billion invested into government and corporate bonds.

While provincial data is not available, according to Statistics Canada insurance companies and pension funds account for the largest share of holdings of Government of Canada market debt securities, representing 24.8 per cent (2011).

4. REVIEW: INSURANCE PROVIDERS

According to Statistics Canada, there are 42 insurance companies with physical operations in the New Brunswick. Thirty-three of these firms are based in either Moncton or Saint John. Twenty-two of these firms (52 per cent) operate in the property and casualty (P&C) insurance sector (including auto, home and business insurance). In order to assess the state of the insurance industry in New Brunswick, a series of executive interviews were held during September and October 2011. These were supplemented by an online survey designed to gather specific information on market size and scope as well as any challenges or opportunities associated with the insurance industry in the province. The majority of the firms are in the property and casualty sector. Two firms are in the health and life insurance sector and another in the title insurance sector. One firm was involved in both the P&C and medical and life insurance sectors.

4.1 Profile of firms

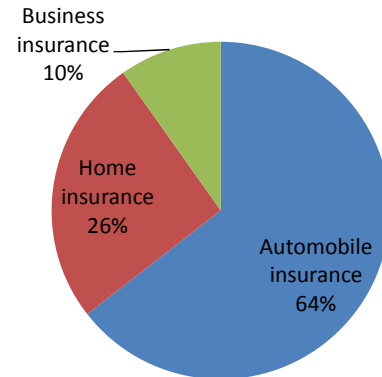
In total, representatives of 17 insurance providers were involved in the interview/survey process representing 2,655 total employees in New Brunswick and the majority of premiums written in the province. One firm operating in the title insurance market also contributed valuable observations. Nearly three-fourths of the total employment is centred in the Moncton region with 20 per cent in Saint John.

Two firms have their national head office in New Brunswick, three have Atlantic regional head offices in the province and two operate national back offices out of New Brunswick.

Collectively, these firms utilize over 350,000 square feet of office space primarily in the Moncton and Saint John regions.

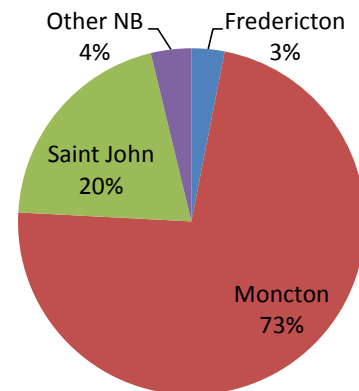
Of the property and casualty firms in the survey, automobile insurance represented more than 50 per cent of the business of the average firm¹². Home insurance represented the second largest business area followed by business insurance.

Figure 10: Product Line Breakdown (Average P&C Firm)
Non-Weighted Average



Source: Survey of Insurance Carriers with operations in New Brunswick (September/October 2011). Excludes four firms that operate in primarily health and life or title insurance areas.

Figure 11: Employment Breakdown by Area within New Brunswick (Total Employment 2,655)



Source: Survey of Insurance Carriers with operations in New Brunswick (September/October 2011).

¹² This does not represent a weighted average.

4.2 Regional, national and international footprint

An important objective of the research was to determine the geographic footprint of the industry. Each firm was asked to provide a geographic breakdown of the business activity conducted out of their New Brunswick operations. Only 15 of the 17 firms provided a geographic breakdown of their markets served from New Brunswick.

The average firm generates just over 65 per cent of its revenue from the New Brunswick market. However, given the largest firms (Medavie Blue Cross, TD Insurance, etc.) generate the majority of their revenue outside the province, it is likely the New Brunswick revenue estimates are biased upward. Ten of the firms service Atlantic Canada in some fashion out of their New Brunswick facilities and nearly half of the firms provide some services to national markets out of New Brunswick. Only one firm of the firms in the survey was servicing international markets from New Brunswick. However, as discussed in Section 2.7, the insurance industry in New Brunswick does have a significant international footprint with more than 14 cents worth of exports for every dollar worth of industry output.

Figure 12: Geographic Market Breakdown (Average Insurance Firm)*

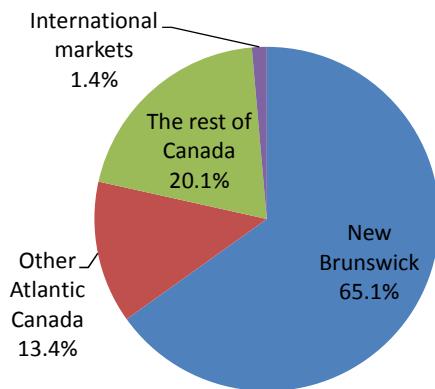
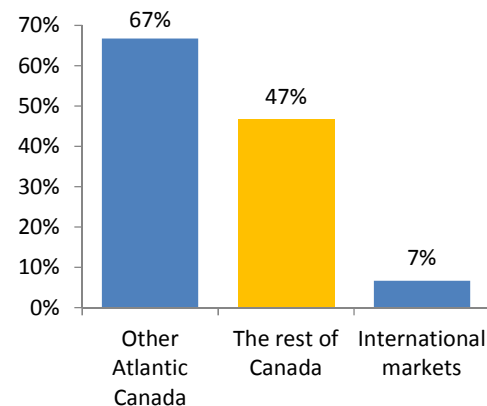


Figure 13: Geographic Market Breakdown (% of Firms by Export Region)



*Non weighted average.

Source: Survey of Insurance Carriers with operations in New Brunswick (September/October 2011).

Examples of the expanded geographic footprint:

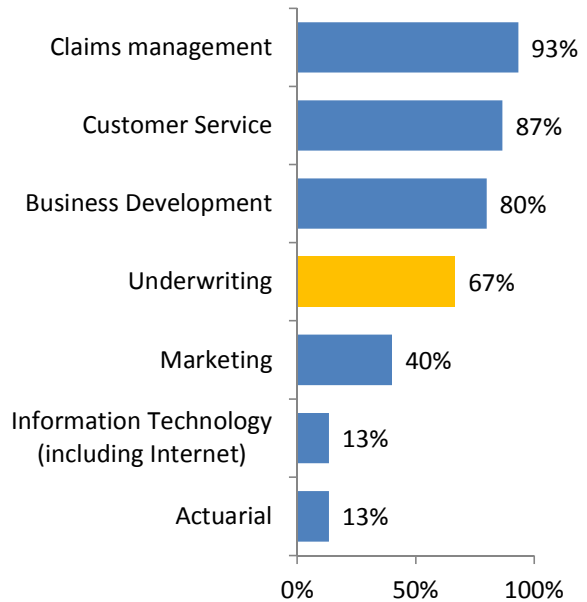
- The majority of insurance providers in New Brunswick service markets outside the province. Four firms in New Brunswick attribute more than 50 per cent of their employment to markets outside the province.
- Multiple firms handle overflow claims management and customer service for markets in Quebec, Ontario and western Canada.
- Ten of the 15 firms providing information on their geographic footprint said their market activity outside New Brunswick had been expanding in the past three years.

4.3 Economic and community impacts

The insurance providers were asked to list the types of business functions that are handled out of their regional offices. All of the firms surveyed indicate that they handle customer service, claims management and marketing/sales from within the region. All but one firm in the survey handle business development and underwriting in the province. Two firms have actuarial expertise and three handle some form of information technology functions from their regional offices. All of the firms provide in-house training in their local facility.

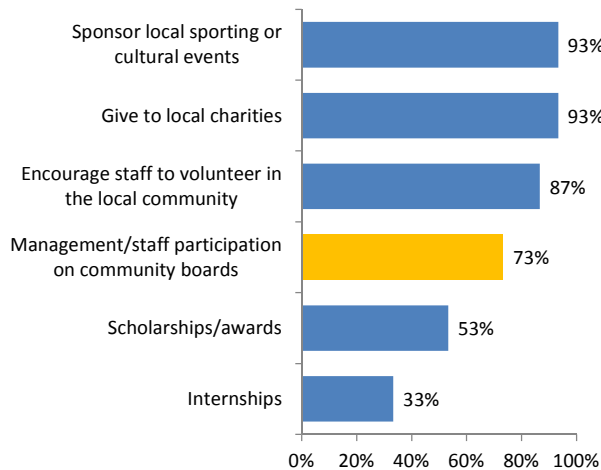
Through the survey and face to face consultations, the insurance providers were asked about their corporate social responsibility (CSR) activities. All but two of the firms have a formal CSR strategy. A key part of CSR is company involvement in the communities in which a firm has operations. The majority of these national and international insurance companies are involved in charitable and community support activities. For example, all but two of the firms encourage their staff to volunteer in the local community and all but one firm give to local charities. All but one of the firms sponsor local sporting or cultural events.

Figure 14: Business Activities in New Brunswick Facilities (% of Firms)



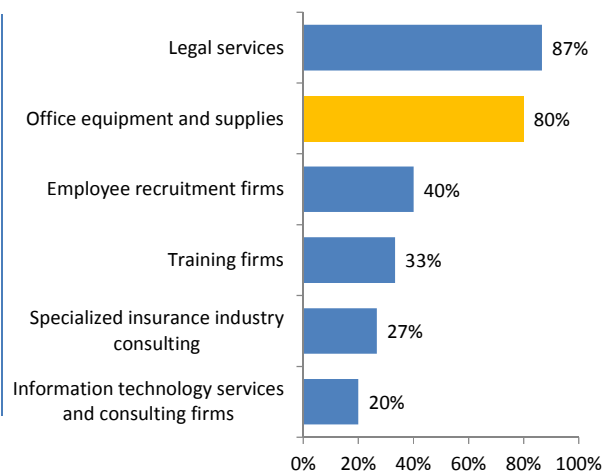
Source: Survey of Insurance Carriers with operations in New Brunswick (September/October 2011).

Figure 15: Insurance Carriers' Community Participation (% of firms)



Source: Survey of Insurance Carriers with operations in New Brunswick (September/October 2011).

Figure 16: Insurance Carriers' Services Supply Chain in New Brunswick (% of firms)



The insurance industry is one where the bulk of the economic activity stays within the province. For every dollar of premium paid by a customer, 77 cents worth of gross domestic product (GDP) is created in the province either directly through the cost of operations (payroll, facilities, etc.) or indirectly through the supply chain¹³.

The survey asked companies about other types of supplier and partner relationships they have in the province. All but two of the firms use local law firms and 80 per cent use local office supply companies. Six firms use local employee recruiting firms. Five firms use external training suppliers and three access local information technology companies.

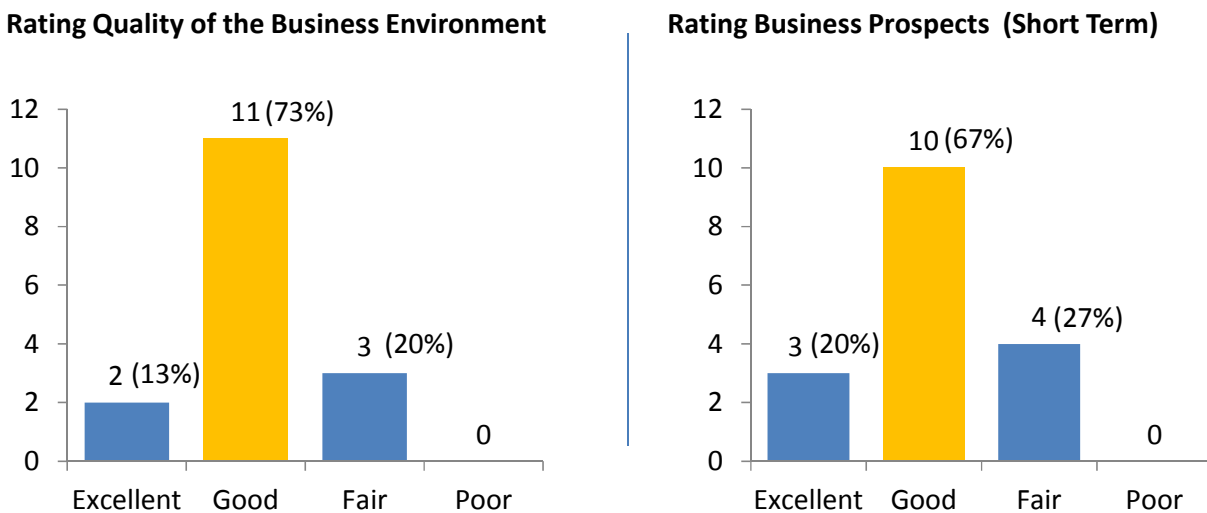
4.4 Rating the business environment & business prospects

The insurance company executives were asked to rate the business environment in New Brunswick. Of the 16 firms answering this question, 11 rated the business environment facing the insurance industry as good and two firms rated it as excellent. Three firms believe New Brunswick has a fair business environment and none of the firms rated the business environment as poor.

Business Prospects in New Brunswick: Short Term

Most of the insurance companies have a good outlook for their business prospects over the next 24 months in New Brunswick. When asked to rate the market in the near term, 13 firms said their business prospects were either good or excellent. None of the firms rated their short term business prospects as poor.

Figure 17: Insurance Provider Business Environment and Prospects



Source: Survey of Insurance Carriers with operations in New Brunswick (September/October 2011).

¹³ Source: Statistics Canada I/O tables (2007).

Business Prospects in New Brunswick: Medium and Longer Term

The firms are a little less positive about the outlook for their business prospects in the medium and longer term. When asked to rate the market in both the medium and long term, no firm said their business prospects were excellent but 11 said prospects were good. None of the firms rated their medium and long term business prospects as poor.

When asked the reasons for the longer term outlook, the most common answer was the stagnant or declining population compared to other regions in Canada.

4.5 Employment growth projections

The positive short term business outlook is expected to translate into employment growth. Eight of the 15 firms that provided employment projections are forecasting they will require additional staff over the next three years. Only five of the eight firms provided an actual estimate of employment growth (the others were unsure). These five firms intend to hire approximately 200 more staff in the next three years.

If this happens, it will represent growth in total employment in excess of 15 per cent among these five firms, providing significant new economic benefits to New Brunswick. At an average salary of over \$51,000 per year¹⁴, these projected new jobs represent approximately \$10 million in new payroll annually as well as several million dollars in tax revenue for provincial and municipal governments.

4.6 Top challenges to growth

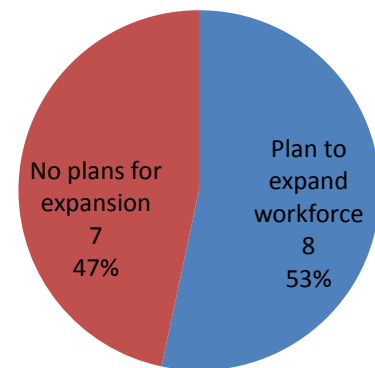
Through the consultations and survey process, regional P&C and health and life insurance leaders were asked to identify the top challenges to continued growth in their industry. In the past six years, total sector employment is up by 49 per cent. The firms consulted for this report are looking to grow by 15 per cent in the next three years. What are the barriers that could impede this growth?

It is important to note that all of the firms were quite positive about their potential in New Brunswick (hence the good business environment rating and the expansion plans). However, there were several issues that were mentioned by at least a majority of the firms.

Uncertainty related to the regulatory regime for insurance is causing the P&C firms considerable concern. The insurance industry is based on long term, actuarial-based modelling that requires a level of predictability in the regulatory environment. No firm consulted for this report indicated they were planning to scale back growth plans or investment in New Brunswick as a result of the current uncertainty but they all stated that significant changes to the regulatory environment could impact their future investment in the province.

¹⁴ Based on the average weekly wage for the industry.

Figure 18: Firms expecting to add staff within 3 years



Source: Survey of Insurance Carriers with operations in New Brunswick (September/October 2011).

Table 7: Top Challenges Facing Insurance Providers in New Brunswick*

<u>Challenge:</u>	<u># of Firms</u>
Regulatory environment in the province**	12
Access to specialized industry employees (actuaries, underwriters, etc.)	6
Access to general industry employees (customer service, sales, etc.)	5
Technological changes in the insurance industry	5
Industry consolidation elsewhere	3
Tax environment in the province	2
Overall changes in the global insurance industry	2
Outsourcing/offshoring of activities	1

**Each firm was asked to provide three top challenges. This table shows the most cited.*

***All 12 firms were P&C insurance providers.*

Source: Survey of Insurance Carriers with operations in New Brunswick (September/October 2011).

Workforce challenges were the second and third most cited in the survey. Some of the firms are facing an aging workforce. It is interesting to note that about half the firms are facing this challenge in a fairly significant way while the other half are not. The faster growing firms are building up a younger workforce but those that are not adding new workers are facing a looming retirement issue. The need for workers to replace those about to retire combined with organic employment growth, will lead to far more new workers needed for the industry in the next three to five years. While workforce recruitment currently is not a substantial challenge, several of the companies suggested it might become a challenge in the near future.

Tax environment was only a concern for two of the 16 firms answering this question. Broader considerations such as global industry changes, consolidation and outsourcing were only cited as concerns by a small handful of respondents.

Several firms complained about the time it takes from the filing of a new rate structure to its approval. They indicated the length of time to get approval in the province was greater than most others in Canada. A number of firms said it would be a big step forward if regulations in Atlantic Canada could be better aligned. The differences in expectations and approach add to the regulatory cost burden and make it more difficult to do business in the region (with its limited population base). Four firms specifically cited the recent changes in Nova Scotia's regulatory regime as a good model for New Brunswick.

4.7 Top growth opportunities

Among these firms, there were several pathways to growth. Most expect to expand their employment in response to market demand across Atlantic Canada. Five of the firms are looking to take on more nationally based activity such as claims management and customer service. At least three of the national firms are looking to attract more business to New Brunswick. A couple of firms indicated that growth through acquisition is a possibility. Section 7 below develops the growth potential for the insurance industry in greater detail.

5. REVIEW: INSURANCE BROKER NETWORK

The network of insurance brokers across New Brunswick is a vital part of a healthy and successful insurance industry. There are hundreds of insurance brokers throughout New Brunswick matching clients with products offered by insurance companies, and providing a variety of support services from insurance selection through to the claims process. According to Statistics Canada, there are an estimated 1,300 people working for more than 300 insurance brokerages and other insurance related firms throughout New Brunswick.

5.1 Geographic distribution of brokers

In order to assess the state of the insurance broker industry in New Brunswick, an online survey was set up in October 2011 and sent to members of Insurance Brokers Association of New Brunswick.

A total of 29 firms completed the survey representing over 50 communities in the province and a total employment of more than 560 people.

Figure 19 shows the breakdown of responding insurance brokers by region within New Brunswick. This mix of firms is representative of the population distribution around the province.

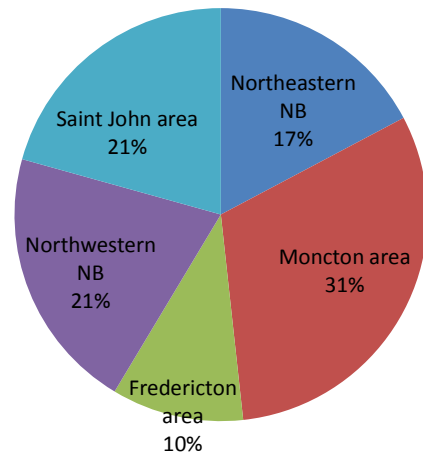
Distribution of Business Activity

Automobile insurance is by far the largest source of revenue for the average insurance broker in New Brunswick. The average firm generates 48 per cent of its business from selling automobile insurance policies followed by home and business insurance. The brokers in this survey have very limited involvement in medical, health and life insurance products. Several of the firms represent specialty vehicle and other niche insurance products. Only one of the 29 firms provides financial planning or investment advice as part of their product offerings.

Size of Firms

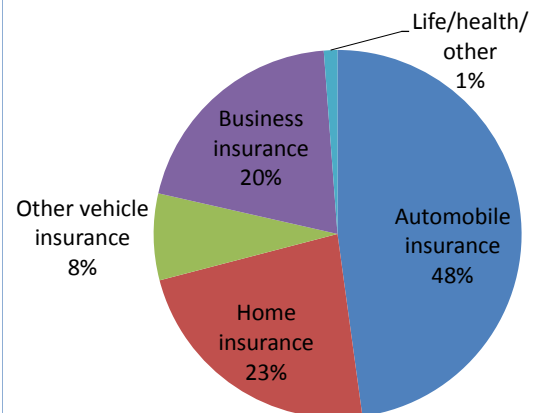
There is a mix of large and small insurance brokers in the province. In recent years, there has been some consolidation leading to larger firms that continue to operate branches in various communities in New Brunswick. The average firm in the survey has 19 employees but there were firms ranging from just one employee to over 100 total employees. None of the firms responding to the survey is part of a larger international company.

Figure 19: Communities Represented Insurance Broker Survey*



*Based on 29 firms (representing more than 50 communities)
Source: Survey of NB Insurance Brokers October 2011.

Figure 20: Insurance Broker Distribution of Business by Category (Average Firm)*



*Non-Weighted Average
Source: Survey of NB Insurance Brokers October 2011.

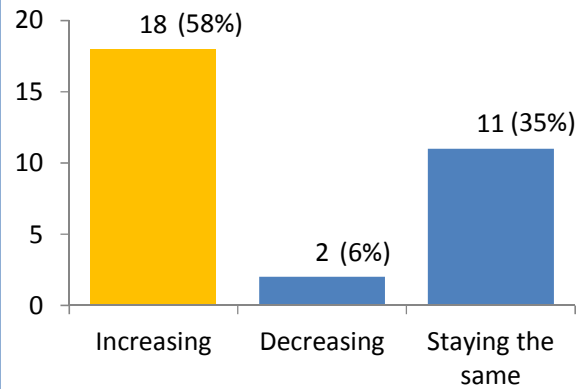
5.2 Employment trends

Despite the growth of direct, online insurance activity, the insurance broker channel has remained relatively strong in the province.

As an industry, the brokers and related services have witnessed a slight decline in total employment in recent years. However, among the firms in the survey, only two of them (six per cent) indicated they witnessed a decline in employment over the past three years. Eighteen firms (58 per cent) have been adding employees in the past three years and 11 firms have stayed at the same employment level.

Twenty firms indicated they plan to expand their workforce in the next three years. In total, these firms are planning to add 56 workers (a 10 per cent growth rate). Nine firms indicated they were expecting to keep employment levels about the same.

Figure 21: Broker Employment Trend (in the past three years)



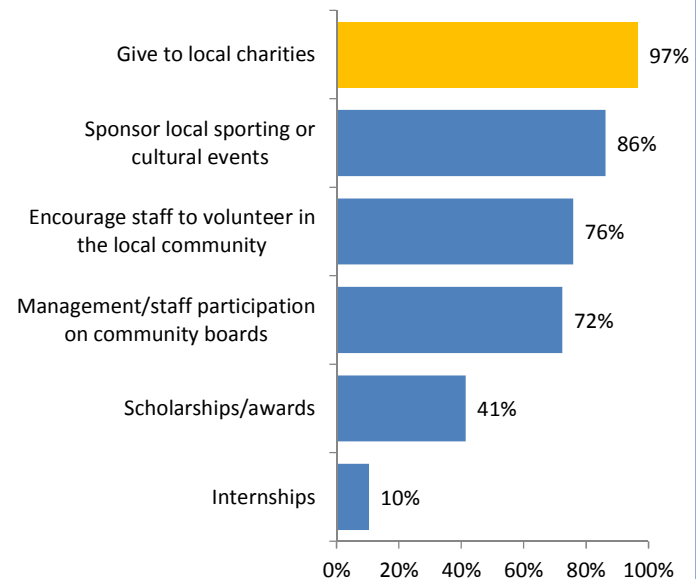
Source: Survey of NB Insurance Brokers October 2011.

5.3 Contribution to local communities

Another important advantage of the insurance broker network is the contribution it makes within local communities. The survey asked brokers to indicate their level of involvement in communities around the province.

Ninety-seven per cent of the firms support local charities with financial contributions. Eighty-six per cent of firms indicated they sponsor either local sporting or cultural events each year. Another 76 per cent of firms encourage their staff to volunteer their time in support of local community charities or events. Management and staff are also active participants on local community boards.

Figure 22: Community Participation (% of Insurance Brokers)

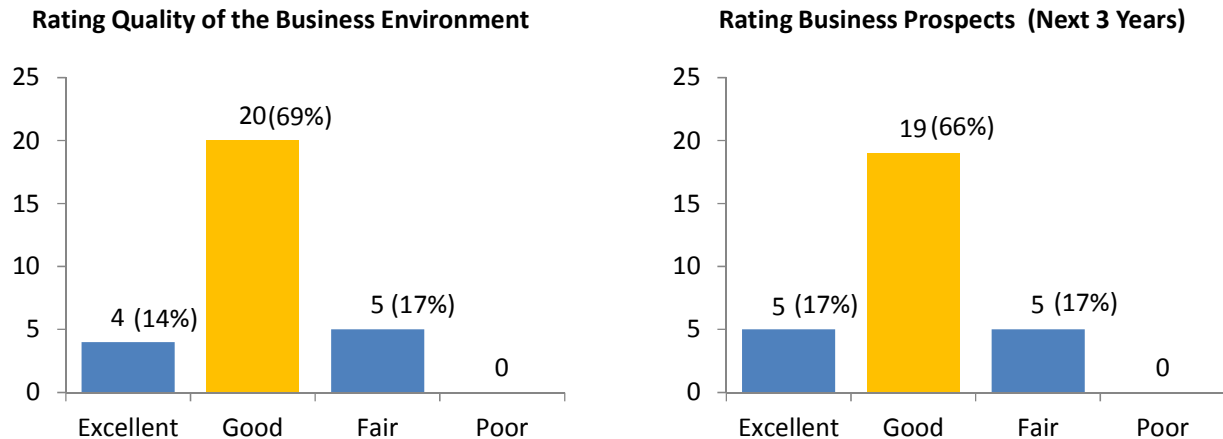


Source: Survey of NB Insurance Brokers October 2011.

5.4 Rating the business environment & prospects

In general, insurance brokers have a good opinion of the business environment for their industry in New Brunswick. Eighty-three per cent of firms rated the business environment as good or excellent and none of the 29 firms rated it as poor. More than 80 per cent of the firms described their business prospects as either good or excellent over the next three years and no firms indicated its business prospects were poor. The group of firms represented in this survey intends to hire approximately 56 more staff in the next three years (a 10 per cent increase in total employment among the group).

Figure 23: Insurance Broker Business Environment and Prospects



Source: Survey of NB Insurance Brokers October 2011.

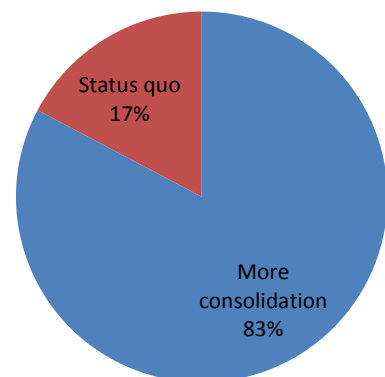
5.5 Top issues/challenges

The insurance brokers were also asked to provide a list of challenges facing the industry going forward. One of the issues of concern to the brokers was the increasing competition from direct providers of insurance. Most firms, however, believe the quality of service and on-the-ground attributes of the broker network will continue to anchor the business but the younger demographic of clients is considered by some to be at risk from the online channels.

The second most cited challenge was access to (and the recruitment of) qualified workers. Many of the brokers are getting older and the pipeline of younger brokers is limited. Associated with this challenge is the high cost of training staff.

A third concern was related to overall demographic trends. Many of these firms operate in smaller towns and rural communities across the province that are witnessing population decline. Many believe in the medium to longer term this will erode business opportunities.

Figure 24: Brokers Expecting More Industry Consolidation



Source: Survey of NB Insurance Brokers October 2011.

5.6 Top opportunities for growth

Insurance brokers were asked to provide the areas where they see new opportunities on the horizon. Despite the concerns with the broader demographic trends in rural New Brunswick, the top mentioned area of opportunity was related to the overall economic growth in the province. Brokers believe that a strong New Brunswick economy will lead to more business opportunities.

Some of the brokers are looking to grow through consolidation. The vast majority of firms are expecting more consolidation in the broker sector (83 per cent). For those commenting on this trend, most saw it as a positive development – particularly in the context of succession planning.

The second most cited opportunity for growth is the repatriation of business from the direct insurance companies. A number of brokers believe there is opportunity in this area.

The other two most mentioned growth areas were the expansion of product lines and branching into niche insurance markets.

6. INSURANCE INDUSTRY VALUE PROPOSITION

Determining what the national and international insurance firms thought are the key components of the New Brunswick value proposition (business case) for the insurance industry is an important outcome of this report¹⁵. It is important to understand the competitive position of the sector - both the positive elements and any potential barriers to growth.

6.1 Existing concentration of firms and employment

New Brunswick now has the third highest concentration of insurance industry firms and employment among the 10 provinces in Canada.

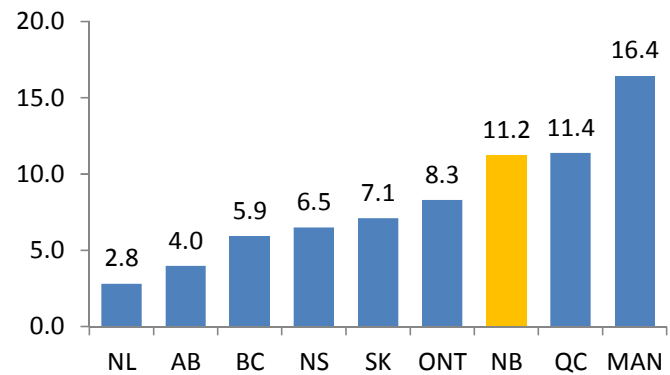
This concentration of economic activity is a catalyst for the clustering effect. The concentration of firms also generates a more competitive insurance market within New Brunswick.

6.2 Access to talent

The workforce is considered to be a major part of the value proposition for the insurance industry in New Brunswick.

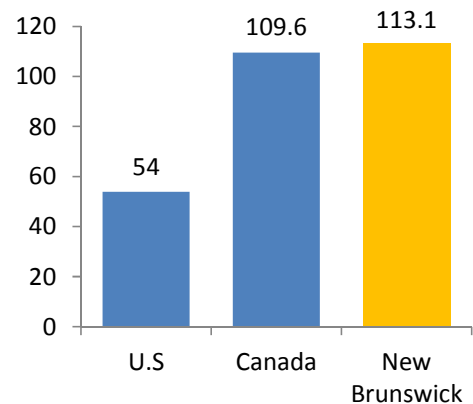
- **Very low workforce turnover:** All of the firms interviewed for this report indicated they are experiencing very low workforce turnover in their New Brunswick operation. This is consistent with the province as a whole. The average worker in New Brunswick spends more than twice as long in their job as the average U.S. worker.
- **Engaged and loyal workers:** Several firms talked about the workforce being more engaged and interested in their work in New Brunswick compared to other offices across Canada.
- **Bilingual workforce:** This was cited by many firms as a key advantage - and most (but not all) suggested it was not hard to recruit good quality, bilingual staff.
- **Good talent coming out of the universities and colleges:** All of the companies recruit new staff out of New Brunswick's many universities and its community college system and most are happy with the quality of the talent. Almost half of the firms suggested; however, it would be a big improvement to have a college level diploma program with a concentration on the insurance sector.

Figure 25: Insurance Employment per 1,000 in the Workforce (2010)



Source: Statistics Canada. Table 281-0024.

Figure 26: Average Job Tenure (Months)



Sources: Statistics Canada. Table 282-0038 and the U.S. Bureau of Labor Statistics (2010).

¹⁵ The insurance brokers also provided important insight into the value proposition.

6.3 Ability to attract management and skilled workers

A number of the industry executives surveyed for this report indicated they did not have a problem attracting either management or skilled workers to New Brunswick provided they were offering a competitive wage scale¹⁶. Historically attracting management and skilled workers to smaller urban centres has been a challenge for a variety of reasons. However, the data shows that places such as Moncton are able to attract workers from across Canada.

For the most recent period there is available information (2006-2008), the Moncton region had a positive migration flow from within New Brunswick (net 3,018), from the rest of Canada (net 269) and internationally (net 916). During the three year period, Moncton had a positive migration from Toronto, Winnipeg, Oshawa, Montreal, Saskatchewan, Ottawa and Kelowna, among others.

Several firms said local officials could do more to help companies recruit out-of-province staff by providing relocation assistance, spousal employment opportunity identification, etc.

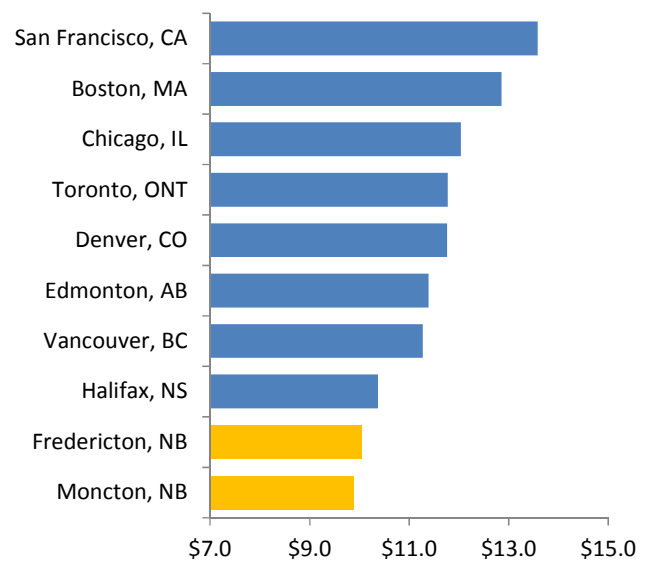
6.4 Competitive operating cost environment

According to the KPMG Competitive Alternatives report for 2010, New Brunswick cities offer a significant overall cost advantage for back office operations compared to large urban centres such as Toronto, Calgary, New York and Boston. The cost advantages include lower payroll costs, lower facilities costs and a reduced tax burden.

According to data compiled by the IBC, P&C insurers in New Brunswick face a lower overall tax burden compared to most other Canadian provinces.

The insurance industry executives interviewed for this report agreed with these findings. All believe the cost structure in New Brunswick is highly competitive with other locations across Canada.

Figure 27: Total Location Sensitive Costs (\$ Millions) - 145 Person Back Office Facility



Source: KPMG Competitive Alternatives (2010).

6.5 Quality of life

The excellent quality of life in New Brunswick emerged in most of the industry consultations as an important part of the value proposition for the province. The quality of life attributes most cited included lower housing costs, shorter commute times as well as safe and healthy communities. This quality of life helps them recruit and retain qualified staff. Staff enjoy living in New Brunswick and most do not want to leave (based on the experience of these firms). The quality of life is also important to the management team in these firms.

¹⁶ One firm said it was very difficult to recruit management to New Brunswick but that was not the experience of most firms.

7. GROWING THE NEW BRUNSWICK INSURANCE SECTOR

7.1 Areas of growth potential

There are four broad categories of growth potential for the insurance industry in New Brunswick.

1. Organic Growth

The industry has the potential for considerable growth from within. The consultations completed for this report indicate an estimated 260 new jobs are forecast to be created in the next three years. This was only based on a sample of the firms as many of them were not prepared to estimate employment growth.

2. Expanding the National Footprint

Related to organic growth is the potential of the current firms in New Brunswick building a broader, national footprint. At least one third of the firms indicated they have identified areas where more national activity such as claims management, customer service or training could be facilitated out of their New Brunswick operations.

There could also be potential to attract more health and life insurance industry activity. Other than the two big players (Medavie Blue Cross and Assumption Life), the other big firms only have New Brunswick market-focused operations in the province (including TD and RBC).

3. Expanding the Scope of the Industry/Building the Cluster

Aside from the head offices, most of the insurance firms are focused on claims management and other customer service activities from their New Brunswick facilities. There could be potential to expand the range of activities undertaken in New Brunswick. Three firms already do actuarial modelling and related activities in the province. There could be potential for more interaction between the ICT sector and the insurance industry. New Brunswick could target the insurance firms and their social media functions.

4. Attracting International Firms

Nova Scotia has attracted several insurance firms from Bermuda and the U.K. to set up in Halifax. Admiral Insurance specifically set up to provide after hour services for their U.K. markets. The cost of telecommunications has dropped to a point where the economics of this can be supported. New Brunswick has the additional advantage of offering bilingual (French and English) workers to support French language markets in Europe.

7.2 Strengthening the value proposition

Based on the consultations with industry and a review of other finance/insurance sector development efforts across North America, there are some important initiatives that should be undertaken by local and provincial stakeholders (government and industry) to position the insurance sector for further growth.

7.2.1 Building the talent pool

Like all knowledge-intensive industries, the main differentiating factor in the ability to grow the insurance industry is access to a high quality pool of labour that either already has the necessary skills or can be easily trained. While most of the companies interviewed/surveyed for this report indicated they did not currently have significant problems either recruiting or retaining workers, some firms suggested that this could become a challenge going forward. First, the industry is expected to grow strongly over the next few years. Beyond that, many of the insurance providers and insurance brokers are facing an aging workforce that will need to be replaced over the next 5-10 years. There are several ways that New Brunswick could boost the pipeline for qualified insurance industry workers.

- **Raise awareness of the Industry as a good career option**

Despite wages well above average, it was felt by many of the insurance executives interviewed for this report that New Brunswickers are not thinking of the insurance industry as a career option. Many firms offer multiple career tracks within New Brunswick and their other facilities across Canada. In addition, the large number of firms in New Brunswick means that people can make career moves without having to leave their city or province.

- **Develop a New Brunswick Community College level insurance diploma program**

Almost all firms interviewed for this report indicated that New Brunswick should have a community college level program with a concentration in insurance. The Insurance Institute of New Brunswick plays an important education role providing courses towards industry designation programs such as the Chartered Insurance Professional (CIP) and Fellow Chartered Insurance Professional (FCIP). However, the executives interviewed for this report indicate a program at the community college level is needed. Several colleges across Canada have such a program in place. Mohawk College in Hamilton, Ontario offers a two year program after which graduates are awarded a Diploma in Business Insurance. Graduates come out with a very strong understanding of insurance principles and practices, the legislative context of the insurance industry and business in general including insurance contracts, documents and processes. Other colleges with insurance diplomas include:

<u>College/University:</u>	<u>Location:</u>	<u>Diploma Course:</u>
British Columbia Institute For Technology	Burnaby, BC	Two-year General Insurance and Risk Management Diploma
Conestoga College	Kitchener, ONT	Two-year Business Insurance Diploma
Fanshawe College	London, ONT	Two-year Business Insurance Diploma
Grant MacEwan University	Edmonton, AB	Two-year Insurance & Risk Management Diploma
Mohawk College	Hamilton, ONT	Two-year Business Insurance Diploma
Mount Royal University	Calgary, AB	Two-year General Insurance and Business Administration Diploma
Sask. Institute of Applied Science and Technology	Moose Jaw, SK	Two-year Business Insurance Diploma
Seneca College	Toronto, ONT	Two-year Business-Insurance Diploma

- **Advance University-level cooperative education programs with the insurance industry**

While the general graduates from the business programs in New Brunswick-based universities are considered to be high quality, several firms indicated more work should be done to encourage co-op programs. Encouraging students to complete a co-op work term with insurance firms would strengthen the pipeline for talent in the province. Wilfrid Laurier University in Waterloo, Ontario offers a co-operative program in property/casualty insurance that includes three work experience semesters as part of the Honours Bachelor of Business Administration degree requirements. The University of Calgary have access to a two-year specialization in insurance and risk management within the Bachelor of Commerce program of the Faculty of Management.

- **Attraction/Immigration**

As mentioned above, New Brunswick and particularly its larger urban centres have a track record of being able to attract people from outside the province. The insurance industry is planning to add at least 260 new staff in the next three years (not including the new hires required to replace those retiring). Efforts could be made to target expatriate insurance professionals for senior jobs in the New Brunswick industry.

7.2.2 Ensuring a stable and predictable regulatory regime

Most of the firms indicated that there is a good working relationship between the industry and government in New Brunswick. However, they reiterated the importance of having a stable and predictable regulatory regime. First, this allows premiums to be set at levels that provide the protection needed by the customers and for the companies to make a reasonable rate of return on their activities in the local market. It also ensures a competitive and dynamic market in the province and region that could attract new insurers. Regulatory uncertainty leads to less competition in the market.

Uncertainty in the regulatory regime may stifle investment by the industry in New Brunswick. Companies unsure about the future of the regulatory regime may put off investments or may divert additional back office or other support services to markets they consider to have a more positive business environment.

7.2.3 Promoting New Brunswick as a location for the insurance industry

New Brunswick has not made the insurance industry a target for growth. Few of the executives interviewed for this report have ever talked with provincial economic development officials about expansion plans. At the same time, most of the executives interviewed for this report are strong supporters of New Brunswick within their companies. Support should be provided where needed to help them build the business case to attract more of their business to New Brunswick. This could include helping build customized proposals, accompanying local leaders to pitch senior management and bringing in other stakeholders as needed.

There is no industry-led organization in New Brunswick with a mandate to grow the insurance/financial services cluster. There could be merit in setting up a group of company representatives, economic development officials, education representatives and other stakeholders to work on ways to grow the industry in New Brunswick.

8. CONCLUSION

This report confirms the insurance industry is an important economic driver for the New Brunswick economy. The industry has been growing its employment faster than all other provinces in Canada by a wide margin since the early 2000s.

Much of this growth has come from firms using New Brunswick as a base to service clients across Canada. Firms such as TD Insurance and First Canadian Title primarily service national markets from the province. Companies such as Medavie Blue Cross, The Cooperators and Wawanesa use New Brunswick as a base to serve clients across Canada. This economic activity brings high wage jobs to the province and generates tens of millions in tax revenue annually for provincial and municipal governments.

The Conference Board of Canada report concludes the insurance industry in New Brunswick supports nearly 8,100 jobs and generates over \$780 million worth of GDP. Governments benefit from over \$228 million dollars' worth of taxes each year.

This report also confirms there is considerable growth potential over the next few years. Among the companies interviewed for this report, an additional 260 jobs are expected to be created in New Brunswick over the next three years.

Industry growth cannot be taken for granted. Community stakeholders, including government, have a role to play to ensure the value proposition remains strong and is enhanced in the coming years.