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Canada Snapshot Report  
**Risk & Resilience in a  
Time of Change**

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# Introduction

Welcome to our first Canada Snapshot Report – Risk & Resilience in a Time of Change. As Canadian boardrooms navigate the impact of climate change, new regulations, and the prospect of a recession in 2023, we explore the risks for which many businesses feel increasingly unprepared.

This report is based on a survey of 500 Canadian business leaders and insurance buyers from across 10 industry sectors and company sizes. It also includes insights from experienced experts, designed to provide a timely analysis of business attitudes.

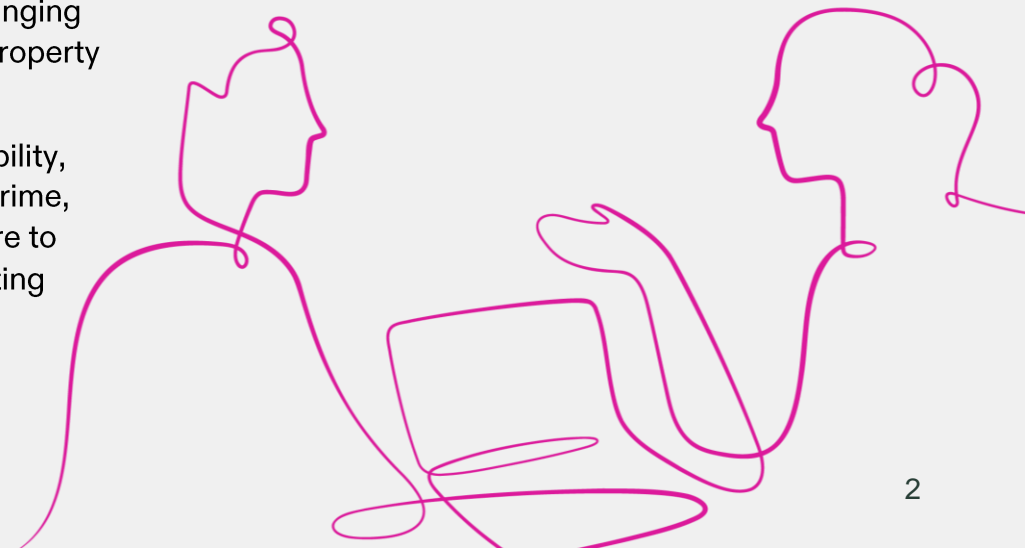
We asked business executives about a series of topical risks now, in six months' time and in a year, and how prepared they feel to deal with these risks.

Survey participants were asked about their views on insurers and insurance, as well as on categories of risk including:

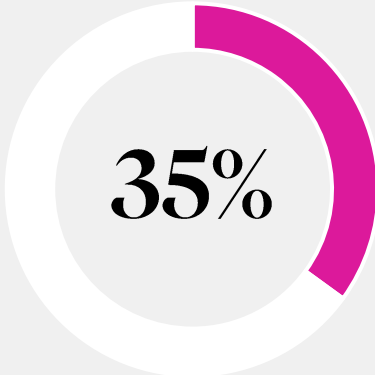
- **Cyber & technology** – including the threat of disruption, failure to keep pace with changing technology, cyber risk and intellectual property (IP) risk.
- **Business** – including supply chain instability, business interruption, boardroom risk, crime, reputational and employer risk and failure to comply with ESG regulations and reporting requirements.

- **Environmental** – including climate change and associated catastrophic risks, environmental damage, greenhouse gas emissions, pandemic, food insecurity and energy transition risk.

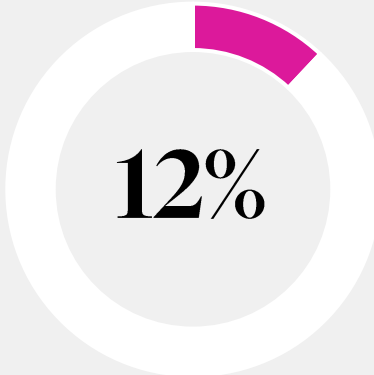
We undertook this research in January and February 2023 alongside businesses in the US, UK, and Singapore.



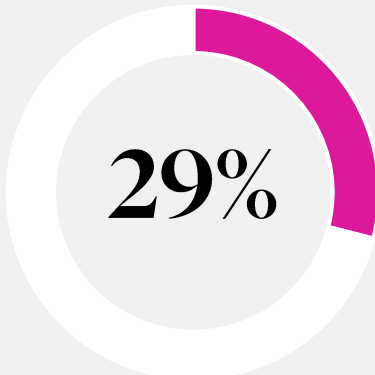
# Canadian business leaders told us...



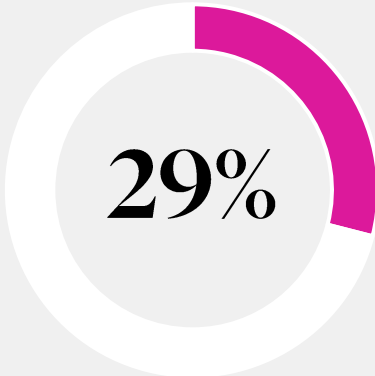
Believe they operate in a high-risk environment, increasing from 20% in 2022.



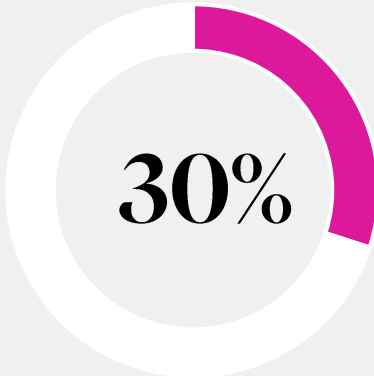
Said they are less resilient to risks impacting their business than a year ago.



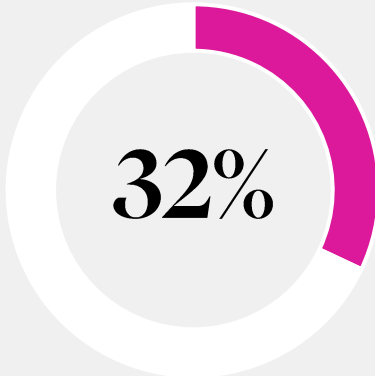
Said they were unprepared to deal with technology disruption risks such as AI and new technologies.



They feel unprepared to deal with climate risks.



Said cyber was the biggest technology threat to their business right now.



Plan to explore insurance options that include risk and crisis management.

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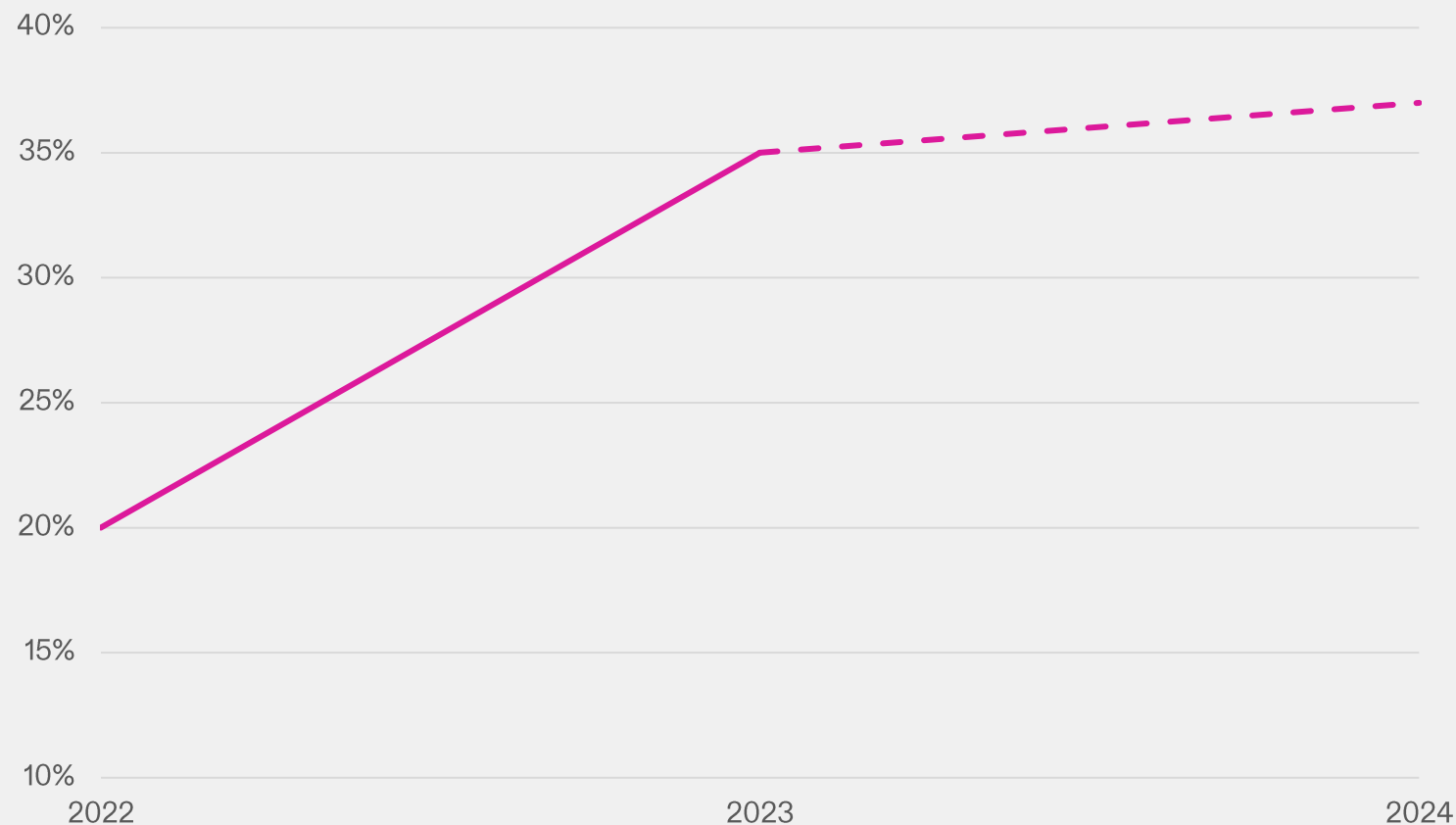
# Once more into the breach

Unprecedented population growth, record-low unemployment, and a booming stock market highlights the rapid progress Canada has made since the COVID-19 pandemic. Despite an impressive bounce back, however, firms across the country find themselves exposed to a number of new challenges in 2023 and a darkening macroeconomic backdrop driven by high interest rates.

Our data shows that over a third (35%) of Canadian business leaders think they now operate in a high-risk operating environment, and this is set to rise to 37% in 2024.

## Business leaders feel increasingly exposed to business risks

% of Canada's business executives that said they operate in a high-risk environment

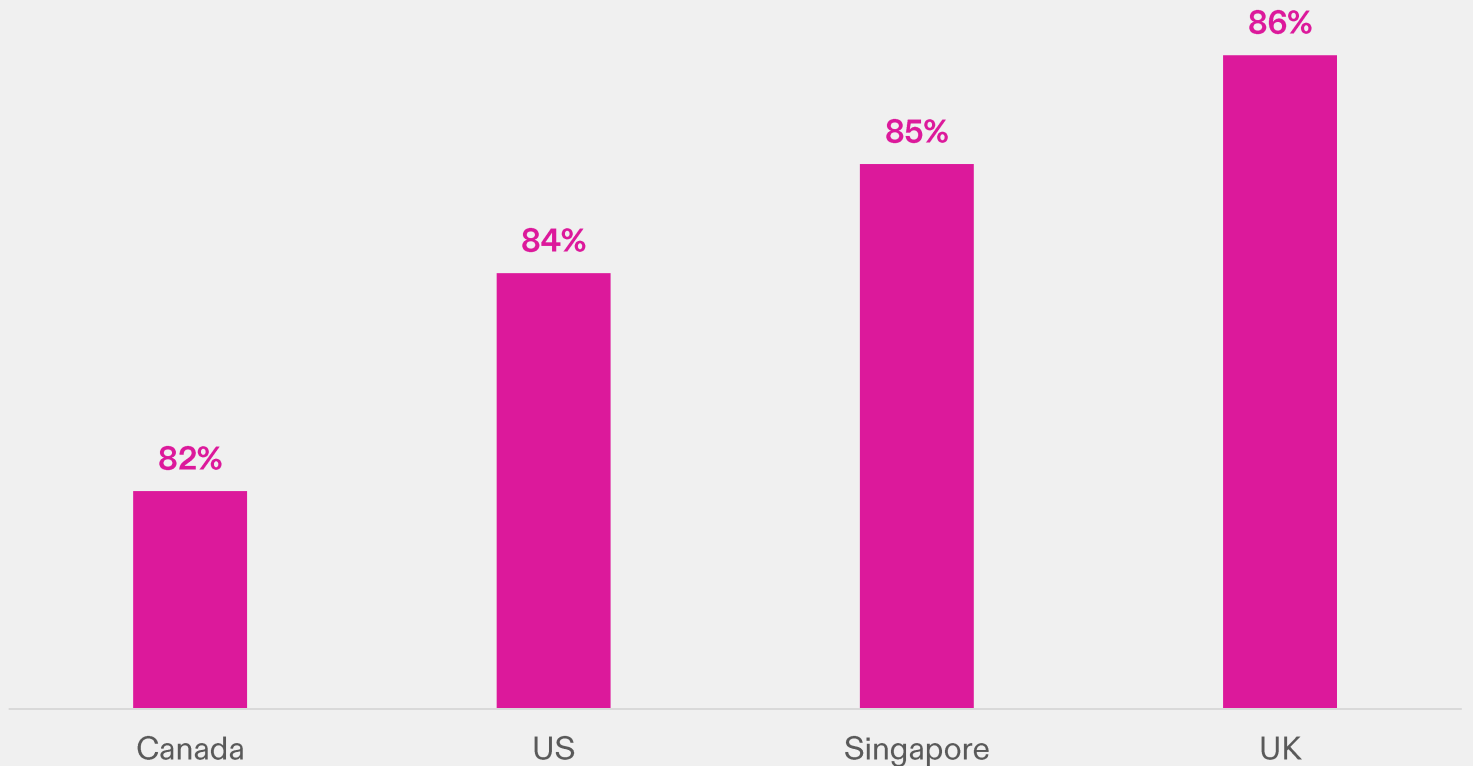


As the outlook appears gloomy for the economy, our research found that boardrooms in Canada feel more exposed to risk than their international counterparts in the US, Singapore and UK. Whilst **82%** of executives feel their business is resilient to risk, worryingly a quarter (**25%**) of boardrooms said they expect to be less resilient in 2024.

As the risks rise for firms in Canada, **30%** plan to look at risk management initiatives to support their business during this period, with **32%** further planning to explore their insurance options.

## Canadian firms feel less resilient to risk than international peers

% of business executives that feel their business is resilient to risk



# New business challenges come to the fore

Despite the disruption of the COVID-19 years being in the rear-view mirror, boardrooms in Canada are now grappling with a number of new business challenges. Our data shows that employer and business interruption risks are the top threats facing firms right now.

Ongoing supply chain issues, along with new legislation appear to be focusing executives' minds with **22%** of Canadian firms noting that business interruption is the largest risk they face right now.

Québec's language law reforms Bill 96 came into force this year,<sup>1</sup> and businesses with operations in Québec with contracts of adhesion now need to present documentation in French-only first, resulting in some businesses struggling to adapt to the far-reaching impacts of the new law, and are having to engage legal expertise and translation services to keep their business on-side with the updated guidelines.

Small businesses are at risk of losing their employee base (and theoretically customers) as they will be required to declare the proportion of their workforce that are unable to communicate in French; this comes at a time where there is a challenge to recruit and retain talent.<sup>2</sup>

**“Firms with operations in Québec navigating the implications of Bill 96 that don’t have local or in-house legal or translation resources, can find the requirements of the Bill complex and time-consuming. Although the law is unique to the province, it affects firms operating across Canada.”**

**Kim Podolak**  
Broker Relations Manager,  
Canada, Beazley



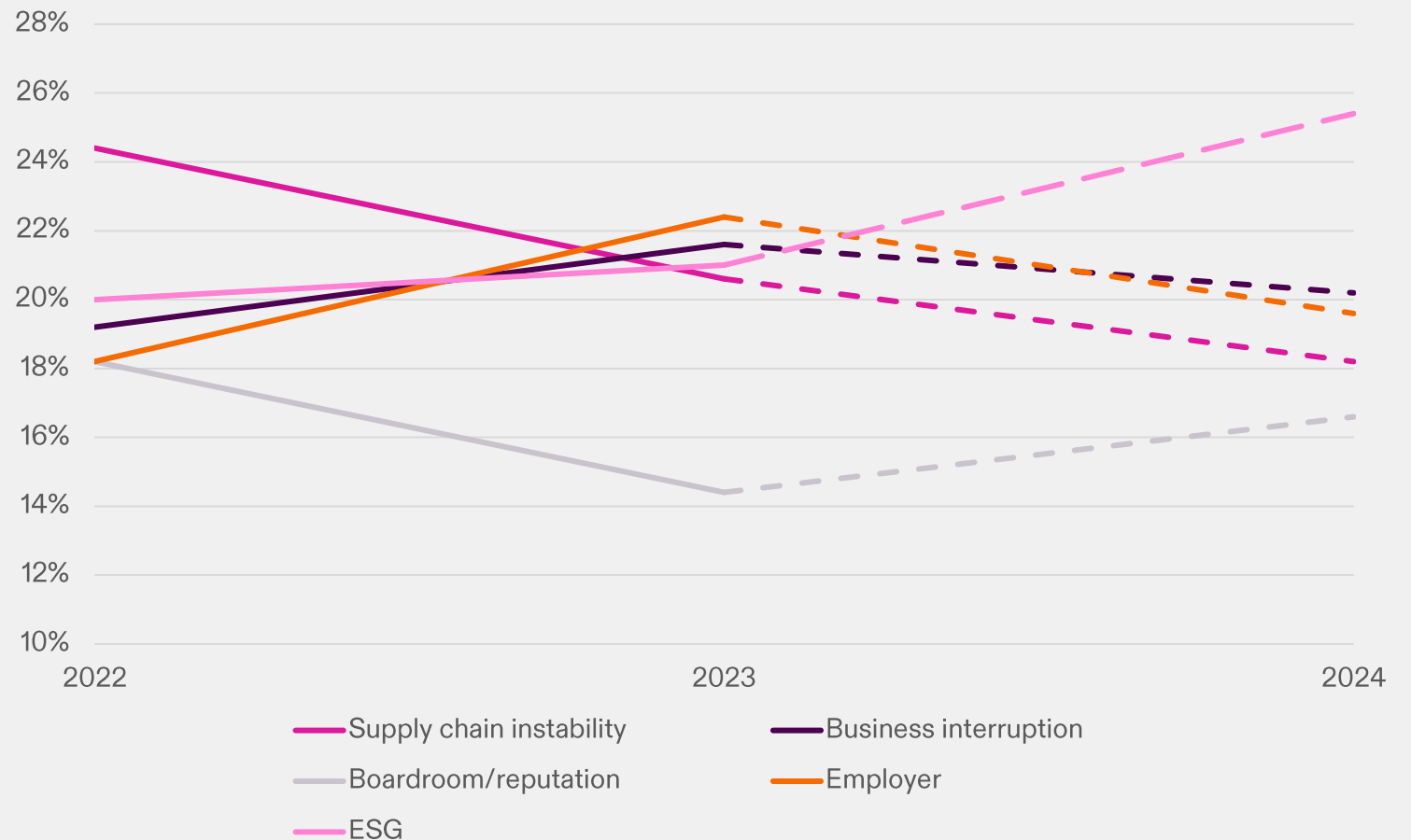
Businesses are also facing new pressures. Regulators are developing or have already introduced mandatory Environmental, Social and Governance (ESG) reporting requirements, representing a significant shift for firms in Canada. From 2024, public companies will need to disclose information based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Yet, currently, 77% of companies don't disclose a TCFD report.<sup>3</sup>

As the Canadian Climate Institute notes, the transition is moving at a different pace across the country's 13 provinces and territories.<sup>4</sup> As a result, there is a lack of uniform adoption when it comes to ESG reporting and policies.

This is being reflected at a company-level with many exposed and unprepared to deal with new regulations. Our data shows that boardrooms are increasingly concerned by ESG regulation with **25%** saying this is the biggest challenge they expect to face next year. However, **29%** of leaders said they are unprepared to deal with these risks, rising to **45%** among medium-sized businesses (annual revenue of CAN\$10m - CAN\$99.99m).

## ESG risks set to leap into lead position by 2024

% of Canadian executives ranking each business risk as their top concern now and in 12 months' time



<sup>3</sup> <https://www.pwc.com/ca/en/today-s-issues/environmental-social-and-governance/esg-reporting-insights.html>

<sup>4</sup> <https://climateinstitute.ca/reports/net-zero-opportunities-provincial-perspective/>



# Climate change concerns grow rapidly

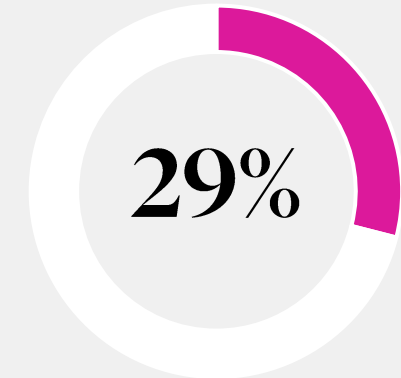
**This summer's wildfires across Canada have reminded us all of the far-reaching and real consequences of global warming. The devastating impact of these blazes on communities, businesses and organizations is a stark warning of the unique environmental challenges that we all face. The message is clear: no one is immune to the challenges created by changing weather patterns.**

Prime Minister Justin Trudeau has been quick to set out Canada's transition plans on the world stage as the country has been one of the first to commit to net zero by 2050.<sup>5</sup> Many business leaders share this concern about the threat of climate change.

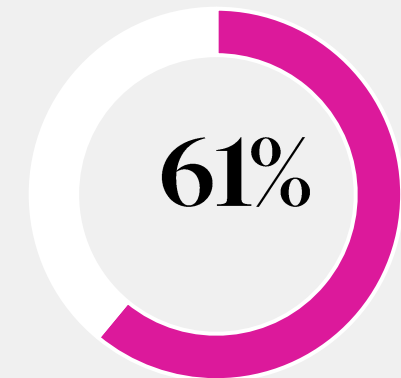
Boardrooms view the current climate change risk as considerably lower today than it will be in 12 months' time.

The gulf between expected and actual risk is widening significantly year-on-year with three in ten **(29%)** Canadian business leaders saying they are unprepared for the impact of climate change. This summer's wildfires will no doubt have alerted firms to the real risks of climate change as over 6,000 blazes impacted all provinces and territories whilst reducing air quality. In early June, the area burned was already more than double the annual average of 2.1 million hectares.<sup>6</sup> The Canadian Climate Institute further estimates that the impact from future fires could halve Canada's projected economic growth in the coming years.<sup>7</sup>

As weather patterns continue to change rapidly, climate risks will continue to dominate business thinking. Over a quarter **(28%)** of firms in Canada said climate change will be the largest environmental risk they face in 2024.



of boardrooms in Canada said they are unprepared to deal with the risks of climate change right now.



of firms said climate change was a top three risk that their business faced in 2023.

<sup>5</sup> <https://www.bbc.co.uk/news/world-us-canada-55006702>

<sup>6</sup> <https://www.washingtonpost.com/weather/2023/06/12/canada-record-wildfire-season-statistics/>

<sup>7</sup> <https://www.nytimes.com/2023/07/03/business/economy/canada-wildfires-economy.html>

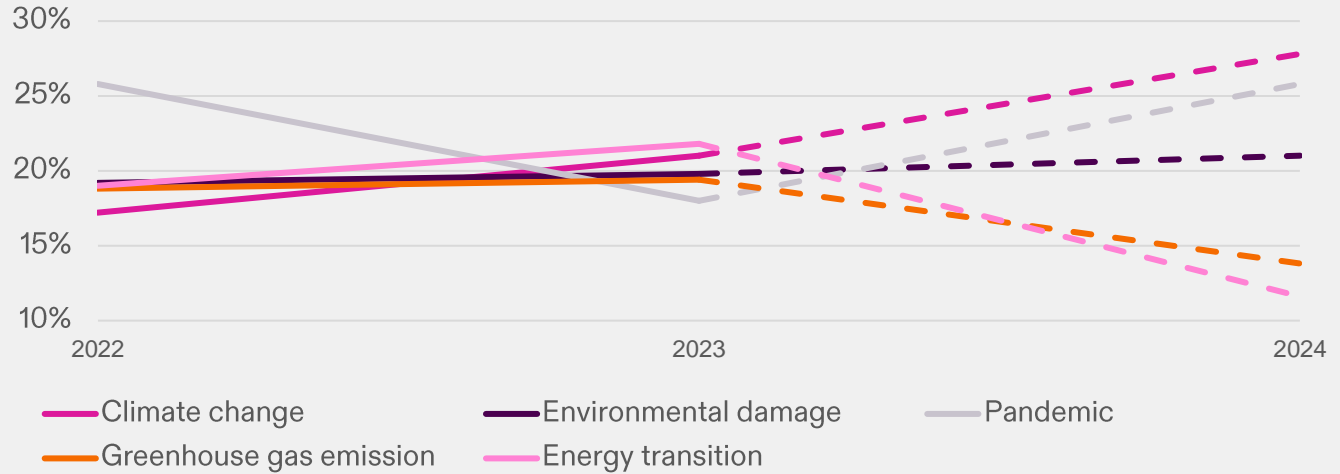
“We have seen an increasing amount of weather events be that wildfire, flood, ice storms and hurricanes. While these events are not uncommon, they are worryingly occurring on a more frequent basis as the threat of climate change becomes a reality.”

**Zachary Cruickshank**  
Regional Leader – North American Commercial Property, Beazley



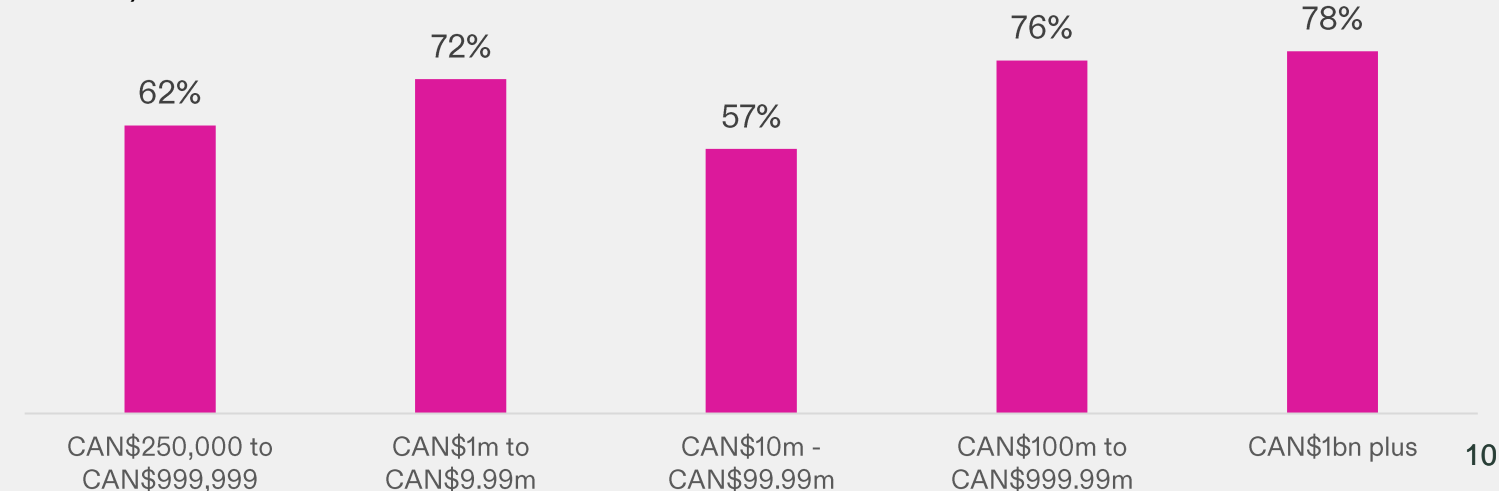
## Concern around climate change is set to jump by 2024

% of Canada’s executives ranking each business risk as their top concern now and in 12 months’ time



## Medium sized businesses are least prepared for climate change

% of Canada’s executives that believe they are prepared to deal with climate change disruption (by annual revenue)



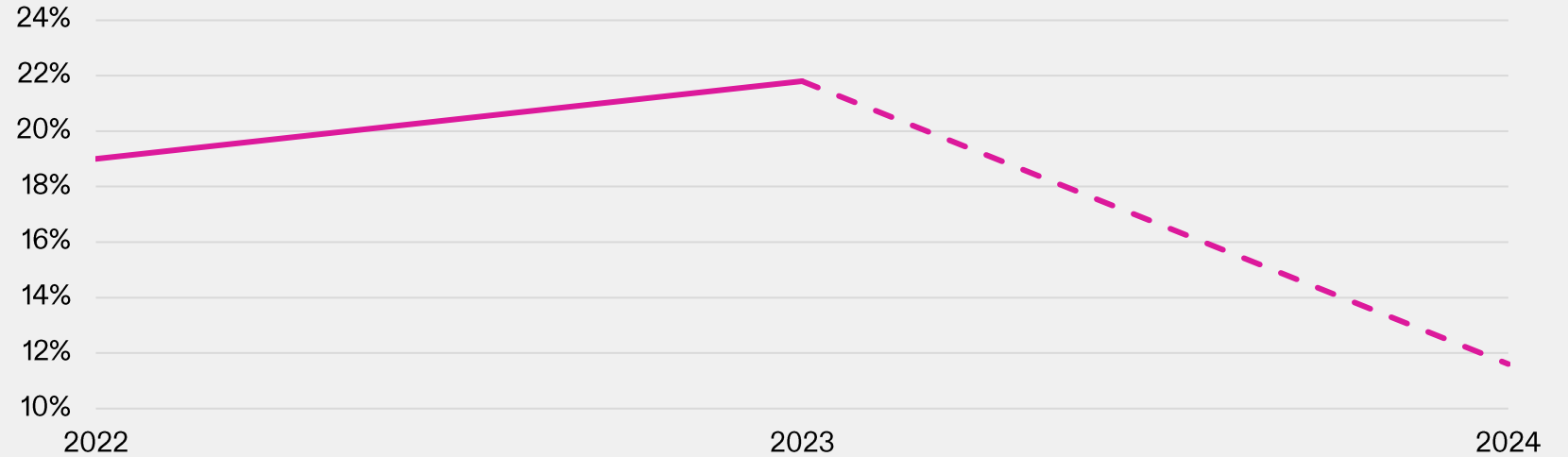
# A green revolution or return to old habits?

In 12 months, energy transition risks will be the environmental risk of least concern for boardrooms in Canada. This reflects growing investment from the federal government and the business community in renewables. The most recent federal budget commits around CAN\$83 billion over the next decade in investment tax credits towards renewables projects.<sup>8</sup> But, will this solve the problem?

Globally, optimism is growing around the transition from fossil fuels to low-carbon energy sources. Optimism around the energy transition could stem from the fact that companies have already made business-critical changes to survive the uncertain geopolitical environment. Yet, many remain unprepared to deal with the risks.

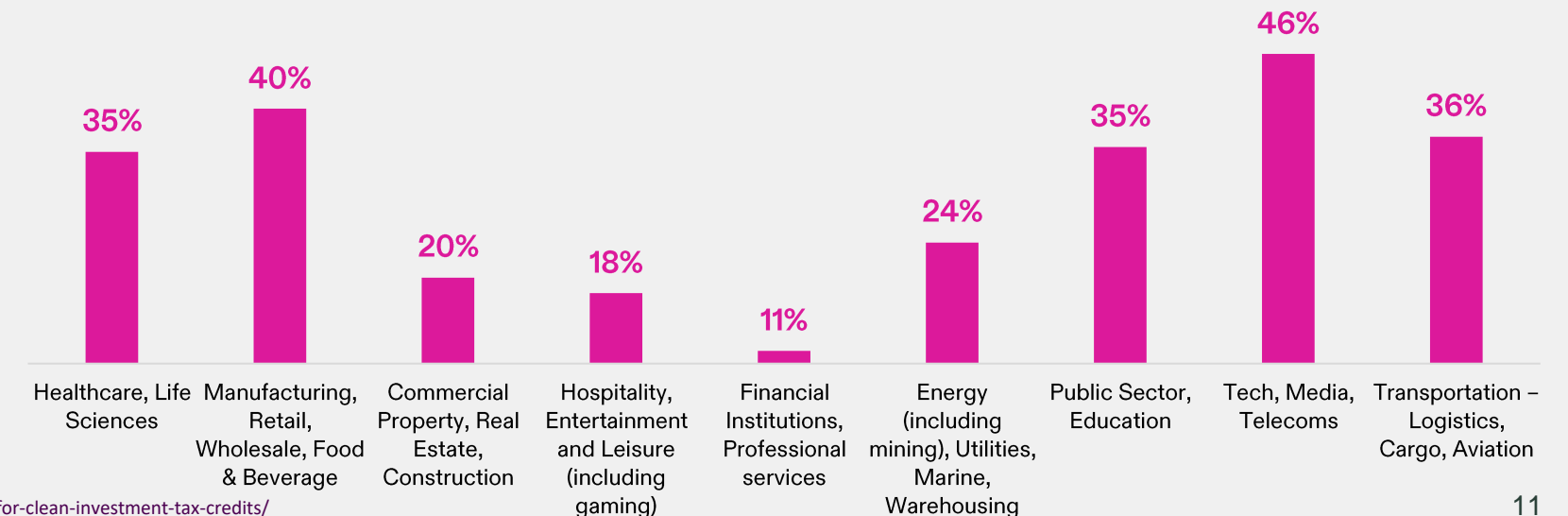
## Energy transition risks slide down the corporate priority list by 2024

% of Canadian business leaders ranking the energy transition as their top risk concern



## Yet, 3 in 10 business still feel unprepared to deal with energy transition risks

% of Canadian business leaders unprepared to deal with energy transition risks (by sector)



# Cyber risks dominate boardroom concerns

As the Canadian Centre for Cyber Security warns that state-sponsored cyber programs of China, Russia, Iran, and North Korea continue to pose the greatest strategic threats to Canada, many businesses are struggling to keep up with the cyber challenges they face.<sup>9</sup> A number of firms have been on the receiving end of several high-profile attacks from criminal groups highlighting the damage cyber-criminals are capable of inflicting.

In April this year, the symbolic visit of Ukrainian Prime Minister Denys Shmyhal to Canada led to a pro-Russian cyber-criminal group attacking and taking offline Prime Minister Trudeau's own website for a number of hours.<sup>10</sup> This followed a warning from the Canadian Security Establishment calling for a "heightened state of vigilance" against the threat of retaliatory cyber-attacks by Russia-aligned hackers. the world.

Whilst the impact of the attack was limited to the disruption of access to one website, it is a reminder of the threat that state-sponsored attacks can have on governments and organizations across the world.

“The threats from cyber-crime are growing worldwide, and Canadian firms are not immune to the challenges. We have seen a sharp increase in the frequency and severity of cyber events that have targeted businesses of all shapes and sizes. The complexity of these attacks continues to get more sophisticated as threat actors adopt new innovative campaigns to exploit security systems and exfiltrate information from the targeted organization, in an effort to make them more prone to giving in to their demands.”

Ahmed Javaid  
Underwriter, Cyber Risks,  
Beazley

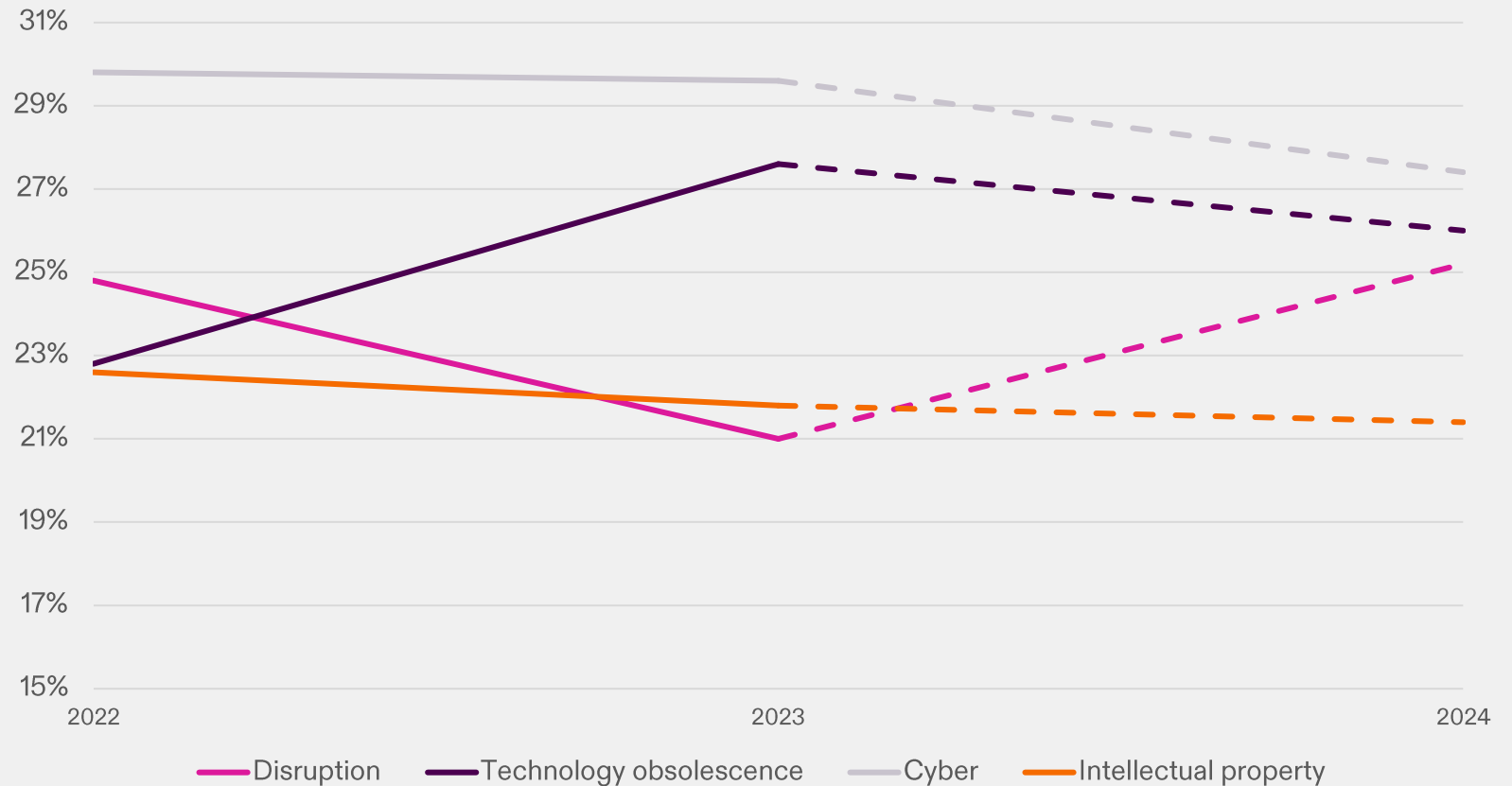


Businesses across Canada increasingly find themselves on the frontline against cyber-attacks. Recently, several large firms in Canada have fallen victim to cybersecurity breaches, spanning a wide range of Canadian-based operations including retail, grocery, government and healthcare. Industry reports show that cyber-crime has increased by 600% since COVID-19 pandemic with remote work resulting in a 238% rise in cyber-attacks.<sup>11</sup>

As cyber-attacks become more sophisticated, firms need to be agile and alert to emerging risks. Worryingly, whilst **30%** of Canadian boardrooms ranked cyber risks as the top technology threat facing their business in 2023, **31%** of boardrooms said they were unprepared to deal with the risks and vulnerable to attacks.

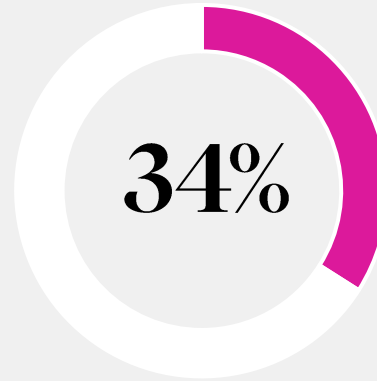
## Cyber remains the top priority for firms

% of Canadian executives ranking each Cyber & Technology risk as their top concern now and in 12 months' time

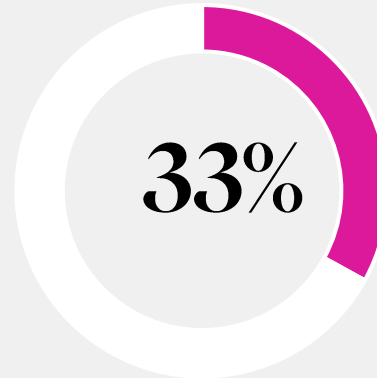


As cyber criminals adopt new tactics, businesses should take a holistic view to cybersecurity, setting up multiple layers of defence against potential attacks. A Defence in Depth strategy includes measures such as ensuring security patches are installed as they become available; limiting users' permissions and access to role-based needs; having secure back ups and tight security configuration of systems, applications and cloud resources; and developing and testing incident response and disaster recovery plans.

The benefits of a Defence in Depth strategy are borne out in our underwriting and claims statistics. It is a proven and highly effective strategy approach to mitigate the rising tide of cyber-attacks and incidents. Our research shows that **34%** of Canadian businesses plan to invest in cybersecurity this year. Whilst growing awareness of the threat is welcome, risk managers must stay vigilant, constantly reviewing their infrastructure in order to identify vulnerabilities.



of Canadian businesses plan to invest in cybersecurity this year.



of large Canadian businesses (annual revenue CAN\$1bn+) said cyber was the top risk they faced.

**“Businesses are becoming more aware of the growing cyber risks and are taking steps to enhance their cybersecurity measures. The evolving nature of cyber threats means that businesses need to continually adapt and update their defences to protect against the threats that they may be exposed to. It is important for organizations to recognize that cyber threats are constantly evolving, and the level of preparedness to respond to such threats can vary. Staying updated on the latest threats, maintaining robust cybersecurity practices and fostering a culture of security awareness is crucial for organizations to effectively counter the growing cyber threat landscape in Canada.”**

**Ahmed Javid**  
Underwriter, Cyber Risks,  
Beazley



# AI becomes today's challenge

From personalized medicine to self-driving cars, the use of tools underpinned by AI has exploded in 2023. Perhaps the most prolific has been ChatGPT, an AI chatbot that pools information from across the internet to produce new written material in seconds. With one in five (20%) Canadian workers using generative AI to help them do their jobs,<sup>12</sup> Canada's boardrooms need to be aware of the risks associated with AI.

AI's growing sophistication and ease of use means it is watering already fertile ground for malicious cyber-criminals, enhancing their toolkit to convince businesses by fraudulent means to transfer funds.

With nearly one-quarter (23%) of Canadian AI users saying they are entering information about their employer (including its name) into prompts,<sup>13</sup> companies are becoming increasingly exposed to the likes of copyright infringement and intellectual property theft which we have only just scratched the surface of understanding.

Our data shows that the threat of disruptive technologies is set to rise. A quarter of business leaders (25%) in Canada note that this will be the top risk they face in 2024, rising from 21% currently. Whilst the threat is set to rise, 29% of firms said they are ill-equipped to deal with the challenges presented by new disruptive technologies, increasing to 39% among medium-sized firms (annual revenue CAN\$10m - CAN\$99.99m).

“Whilst the emergence of AI presents a number of opportunities, organizations need to be aware of the threat posed by this technology. In the cyber sphere, AI powered attacks could exploit vulnerabilities at a faster pace, making it challenging for traditional security methods to keep up. Organizations will need to continue to monitor this risk landscape as emerging technologies become more accessible – there is a real threat present to organizations of all shapes and sizes.”

Rhea Turchinetz  
Head of Canadian  
Underwriting, Beazley Digital



# Methodology

## About the Risk & Resilience research

During January and February 2023, we commissioned research company Opinion Matters to survey the opinions of over 2,000 business leaders and insurance buyers of businesses based in the UK, US, Canada and Singapore with international operations. Survey participants were asked about their views on insurers and insurance, as well as on four categories of risk:

- Environmental – including climate change and associated catastrophic risks, environmental damage, greenhouse gas emission, pandemic, food insecurity and energy transition risk.
- Cyber & Technology – including the threat of disruption, failure to keep pace with changing technology, cyber risk and IP risk.
- Business – including supply chain instability, business interruption, boardroom risk, crime, reputational and employer risk and failure to comply with ESG regulations and reporting requirements.
- Geopolitical – including strikes and civil disruption, changes in legislation and regulation, economic uncertainty, inflation and war & terror.

Of the 500 Canadian firms surveyed, there was an equal split of respondents across company sizes of: CAN\$250,000 - CAN\$1 million, CAN\$1,000,001 - CAN\$10 million, CAN\$10,000,001 - CAN\$100 million, CAN\$100,000,001 - CAN\$1 billion, more than CAN\$1 billion.

With a minimum of 50 respondents per country per industry sector, respondents represented businesses operating in:

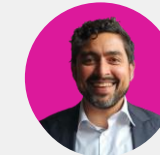
- Healthcare & Life Sciences
- Manufacturing, Retail, Wholesale and Food & Beverage
- Commercial Property, Real Estate and Construction
- Hospitality, Entertainment and Leisure (including Gaming)
- Financial Institutions and Professional Services
- Energy and Utilities (including Mining), Marine and Warehousing
- Public Sector and Education
- Tech, Media and Telecoms
- Transportation, Logistics, Cargo and Aviation

Previous editions of the survey were undertaken between 10.01.2022 and 24.01.2022.

## Contributors



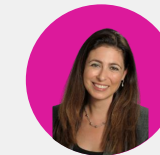
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