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SEPTEMBER | 2024

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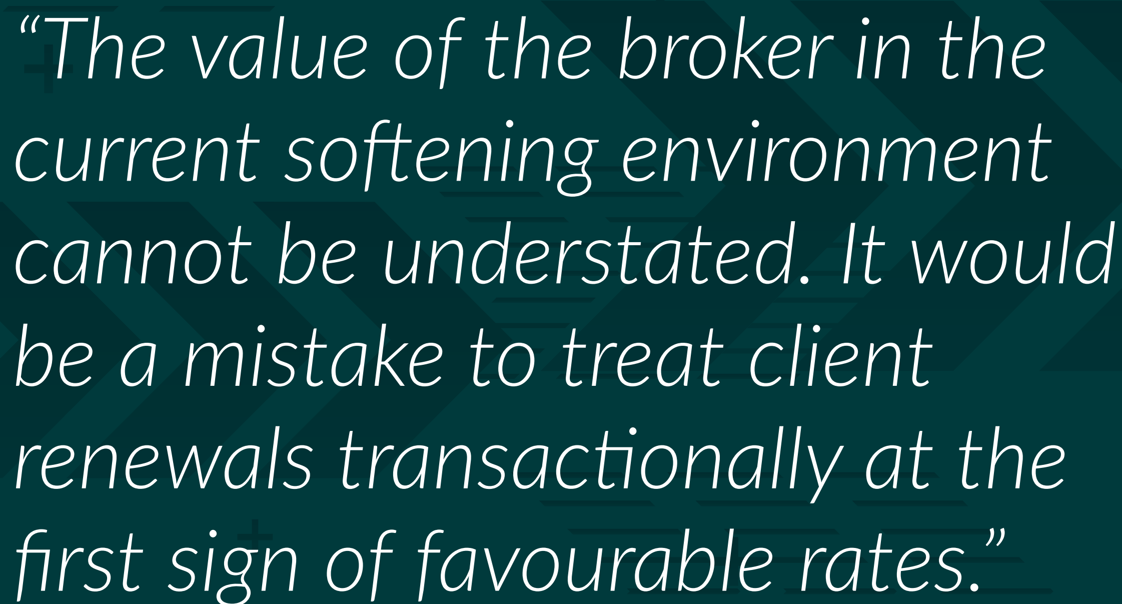


> *“The value of the broker in the current softening environment cannot be understated. It would be a mistake to treat client renewals transactionally at the first sign of favourable rates.”*

Robert Beeston
Vice-President, Construction Practice, Navacord

Nimble and Hungry for Growth

Six months into the year, insurers are making money, competition remains healthy and reinsurance capacity is ample. After several years of a hardened market, this means there are favourable solutions to be found in many classes of business.

The exception is in personal lines, where individuals will continue to bear the brunt of consecutive years of property inflation, natural catastrophes, insurer consolidation, a growing national crisis in auto theft and the pressure within certain regulatory environments – for example, the Alberta government's auto rate cap – that are hampering competition. High frequency and cost of claims are making it difficult for insurers to maintain profitability.

For commercial clients, on the other hand, this may seem like the year for brokers "go to market" for their clients. New entrants to Canada include foreign insurers, Lloyd's syndicates as domestically licensed entities, and unlicensed carriers pushing into Canada via fronting agreements. This presents the Canadian marketplace with interesting choices. But buyer beware. Look to your broker to stick with carriers that showed clients loyalty during tough times and use the competitive environment to negotiate important coverage and mitigate risks with the tried and tested.

There is increased capacity in the commercial property space, particularly for most classes of contractors. The exceptions are individually rated and small fleet auto, and certain classes of hard-to-place subcontractors. There are also regional variances, with clients in B.C. less likely to feel discounts as insurers brace themselves for another spike in reinsurance costs related to earthquake, and remain wary of unprotected risk related to wood frame and mass timber construction.

Commercial liability is competitive. Environmental and pollution liability is an area of continued growth. Directors and Officers liability is basically "in freefall," according to our analysis, with substantial discounts available on renewal. Cyber liability is challenging underwriters, with increasing cyber crime, and heightened costs in both claims and insurance services.

DEFINING NISR

The net insurance service ratio (NISR) is a new accounting formula under IFRS-17 global standard introduced in 2023. Comparable to loss ratio, the NISR is a simple formula of net claims divided by net premiums. Because the NISR accounts for acquisition expenses — notably reinsurance and commission — it tends to produce a higher number than the traditional loss ratio. Anything over 100 would suggest hampered growth

Skin in the game

The onus continues to be on the broker to find the best solutions for their clients. Beware of “naïve capacity,” the term given to new, less experienced underwriters, who will be quicker to adopt and deliver broad cover with fewer restrictions at decreased rates. Longer-term participants may be slower to adopt favourable rates, but they are leaning on decades of premium and claims performance, a key factor in re-establishing insurer profitability.

Brokers have a big role to play in ensuring clients get the best solutions without being lured away from time-tested partnerships by transactional deals that offer quick discounts without depth of experience. Annual renewable terms must account for long-term strategies that allow clients to take a more active role in managing their risk transfer. Underwriters want clients to have “skin in the game”, which means higher expectations around loss control, safety, risk mitigation and increased deductibles. Clients who take the longer view and embrace risk management will be rewarded accordingly.

“Carriers are growing their top line. There are key markets out to write a lot of business, but they are still requiring the underwriting due diligence. We see significant swings for the mid-to-large sector, with those demonstrating well-managed risk finding the most capacity and competitive terms.”

Patty McNeil
Chief Operating Officer, Jones DesLauriers

Commercial Property Insurance Forecast

What to expect

- **Flattening to softening of rates as real estate prices and inflation stabilizes**
- **Appetite from insurers to grow top line**
- **Profitability challenged in some areas by increasing insurance service expenses**

First, the good news. Commercial property pricing remained steady into early 2024, primarily due to flattening real estate prices, an easing of inflation and quieter activity in the first part of the year related to catastrophic losses. Following on the heels of a year of record losses due to wildfires, severe flooding and hurricanes, the mild and humid winter across Canada meant relatively quiet claims' activity in the early months of the year. Summer floods in Toronto and wildfires in the west, including Jasper, mean that there could be a shift later in next quarter results.

For the moment, clients are seeing flat to softening pricing on renewals in most regions. For best-in-class clients — those with a demonstrable commitment to loss control and low claims activity — up to 15% decreases are possible with the influx of capacity.

A move away from risk transfer

There is ample competition in this sector, growing capacity and lower rates, with insurers pushing to grow their top lines in the face of rising insurance service rates. The influx of new primary capacity from domestic players, Lloyd's syndicates, and Bermuda will reduce the attractiveness of alternative risk transfer methods, despite an ongoing increased appetite from the captive marketplace.

Commercial Auto

There aren't many deals to be had for individually rated commercial auto (IRCA), as carriers struggle to establish and maintain profitability. As with personal auto, frequent and high claims activity, along with the persistent national auto theft crisis, along with labour and input shortages, are driving claim costs and rates upward. Expect single to low double-digit increases to continue.

Fleet auto is more competitive, with rates mirroring commercial property generally. Clients that demonstrate good risk monitoring and mitigation will find market capacity and see reductions on renewal.

Shop around or stay put?

Broadened appetites among existing insurers and new players in some parts of the market means there are deals to be had. To retain accounts in the face of competition, most carriers are backing down on price increases or amending terms at the first sign that a client may start shopping around for a better deal. Carriers that hold the line on harder pricing in this environment may lose market share.

While there is opportunity for clients to "shop around" for better terms or rates in the current environment, experienced brokers can evaluate when to make a move or stay put. Relationships matter. Any client that has experienced a significant claim will know the value of long-term relationships.

Volatility on the horizon?

The value of a broker as a risk management partner cannot be overstated. There are significant swings in pricing for mid-to-large well-managed risks, with underwriters demanding clients do their due diligence. For small and mid-sized clients, increased complexity of commercial insurance demands a broker who can educate, negotiate and walk them through the process, even as some insurers move toward commoditization of small business.

There continues to be some volatility, as insurers figure out how to remain profitable. The impact of new accounting standards under IFRS-17 introduced in 2023, along with rising reinsurance rates is seeing service costs outpace profitability in many areas.

When it comes to reinsurance and catastrophic claims, the summer wildfire season, including catastrophic claims in Jasper, along with Toronto floods are on the radar. Canadian clients are also not immune to what happens outside our borders. We continue to monitor the early start to the wildfire season in April in the West, along with the record-breaking, category 5 Hurricane Beryl in July south of the border, which may impact future increases.

Risk mitigation

Despite a softening market overall, clients must demonstrate clear risk monitoring and mitigation. For example, underwriters are looking for water damage loss reduction steps on all commercial properties, both at the point of new build and rebuilding or retrofitting, to include automatic shut-off and monitoring systems.

Clients with poor loss history and no demonstrable commitment to risk management or loss control will not see reductions or any benefits from new market entrances. Key players are focusing on deploying their capacity to what they see as best-in-class risks only. Moderate increases to rate and increases to deductibles, particularly water damage, will continue to be the norm for clients not prepared to take steps to mitigate claims.

“Risk management is no longer a box-checking exercise to ensure compliance with minimum protocols and standards. Despite the softening market, it’s not enough for clients to pay lip service to loss reduction.”

Robert Beeston
VP Constructions Practice, Navacord

Commercial Liability Insurance Forecast

What to expect

- **Flat to softening rates on renewals in most categories**
- **Significant discounts for clients demonstrating good loss control**
- **Increased competition, especially for umbrella and excess**

With some exceptions, the market continues to soften in the commercial liability space, which is good news for our clients. The return of Lloyd's has boosted capacity, pushing traditional carriers to develop competitive terms. In the construction sector, Lloyd's is putting up significant capacity that domestic carriers are struggling to match.

Overall, we're seeing nominal decreases from expected rates last year. Clients demonstrating improved loss control and risk mitigation protocols could see more moderate reductions on renewal. There are also opportunities for those who reduced liability tower limits over the past few years during the hard market to re-establish higher limits at competitive pricing, due to an abundance of umbrella and excess capacity.

Environmental liability continues to be an area of interest for insurers, with additional competition for business. Professional liability placements are flat, with some minor rate improvements.

Directors and Officers Liability rates appear to be decreasing, with moderate to potentially substantial reductions in premium. This comes despite another anticipated record-breaking year for global insolvencies.

A couple of areas remain challenging, however. There are a handful of markets writing project-specific professional liability, which requires creativity on the part of brokers to find solutions.

Cyber liability is another seemingly volatile area. Surprisingly, cyber premiums are dropping at a time when cybercrime is rampant. Net insurance service ratios (NISR) hit triple digits for the two dominant players in the market. We may see ongoing changeability in pricing, along with a greater demand for risk mitigation from clients as insurers figure out how to remain profitable (*see spotlight on Cyber*).

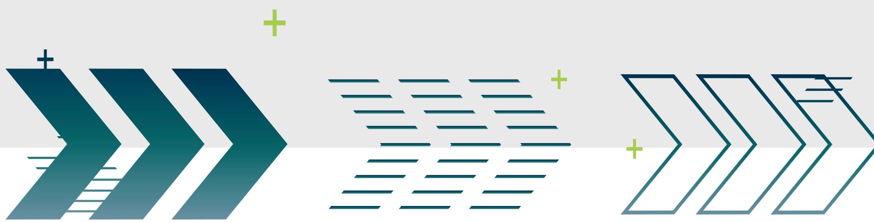
Lloyd's continues to dominate in the commercial general liability space, with 27% market share. More than half of growth in cyber liability is also attributed to Lloyd's.

Risk mitigation

Underwriters are looking for demonstrated behaviours at all levels of an organization that they are monitoring and mitigating risk.

- Evidence of a risk-aware culture where everyone in an organization works together to reduce risk
- Demonstrable communication of risky situations and near misses between the front lines of an organization and management to ensure worst-case loss scenarios don't materialize
- Continual monitoring and risk-mapping of external and macro-economic, political and environmental influences, and adaptation of organizational policies and practices

Directors and Officers Liability



What to expect

- **Continued softening of rates**
- **New and existing insurers seeking opportunities to grow their books**
- **Elevated risk monitoring of public companies by underwriters**

With new and existing insurers seeking opportunities in this space, we're seeing a continued decline in D&O rates of 2024, with moderate to substantial reductions, depending on conditions pre-renewal.

Additional market capacity shows excess layer pricing softening at a faster rate than primary. Some insurers are increasing single layer or showing a willingness to add an additional layer in the higher excess tower. Others are adding additional lines of specific coverage, such as crime, fiduciary and employment practices liability.

Even as interest rates stabilize, financial underwriters are increasingly demanding client balance sheets reflect and account for geo-political and macro-economic risks.

The gradual workforce return to a "new normal," combined with a drop-off of lagging pandemic-era lawsuits has seen employment practices liability premiums stabilized.

For public companies, expect D&O underwriters to be closely monitoring disclosure practices and potential for litigation. In particular, heightened awareness of climate-related disclosure and material cybersecurity incident disclosure has insurers watching closely.

Risk mitigation

We're keeping an eye on emerging risks and opportunities at the board level. Artificial intelligence, risk of material cyber breach, employee health and safety and regulatory environments are areas where risk monitoring and management are vital. For the third year in a row, global business insolvencies are expected to increase, by 10% or more.

Underwriters will be watching closely to ensure legal and ethical practices around the implementation and use of artificial intelligence (AI) are in place, along with security protocols. More than ever, company directors and officers need to demonstrate they are savvy to economic, and geopolitical risks, and that they are continuing to act on — not just talk about — environmental, social and governance (ESG) risks.

"Financial lines underwriters remain vigilant in their underwriting of macro-economic risks, mainly the effects of higher interest rates on a client's balance sheet and bottom line."

Danielle Gorst
Partner & National Practice Leader, Financial Lines, Iridium Risk Services

“Cyber insurance premiums have dropped, which may not hold with cyber crime rampant. Brokers are positioned to educate and get commercial clients making their first cyber purchase while it’s fiscally viable, and we continue to work with commercial clients to improve their cyber risk posture for a future when it becomes much more expensive.”

Patty McNeil
Chief Operating Officer, Jones DesLauriers

SPOTLIGHT ON CYBER LIABILITY

The year kicked off with the "Mother of all data breaches", familiarly known among industry experts and in pop culture as MOAB. More than 26 billion records, 12 terabytes of data, and 3.786 domains across the globe were affected. It seemed no one was immune. Popular platforms like Myspace, LinkedIn, Adobe and others were caught in the fray.

In late April, Canadian pharmacy retailer London Drugs confirmed a temporarily crippling cyber attack. With hackers demanding a $25 million ransom, it forced the shutdown of LD's Western Canada stores for more than a week. The chain is still in reputational recovery.

The market continues to define itself in terms of what constitutes a good risk from an underwriting standpoint. Loss prevention and mitigation through education and pre-breach consulting service is the gold standard for clients seeking the most competitive terms and conditions.

Despite the increasing and elevated threat of cyber crime, insurance premiums have dropped. This is especially puzzling, as service costs appear to be on the rise. Two of the top insurers in this space (Lloyd's and Zurich Canada) reported a net insurance service rate (NISR) in the triple digits.

Emerging trends

- **Cyber insurance and placements continue to grow**
- **Companies are reviewing their current security measures, especially given the ongoing presence of hybrid or work-from-home situations**
- **Brokers continue to play a role as risk management partners, working with clients to improve their cyber posture for a future when insurance becomes more expensive**

"As insurers profit, best-in-class construction clients can expect the market to fight for their business."

Robert Beeston
VP Constructions Practice, Navacord

SPOTLIGHT ON CONSTRUCTION

An economy in transition

Following years of supply chain challenges, inflation and high interest rates, two consecutive cuts to the prime lending by the Bank of Canada in June and July may trigger some renewed optimism in the construction sector. Public entities are starting to push work through. Improved economic conditions, the growing infrastructure deficit, and pending elections in multiple provinces and federally will prompt a degree of political goodwill toward new public projects and the need for affordable housing.

Large energy projects, driven by the focus on new and sustainable energy will yield a significant amount of construction and retrofit work moving forward. Improvements in the oil and gas market globally, and Alberta's willingness to support traditional industry will see the volume of new projects and maintenance on existing facilities grow across all regions.

Labour shortages continue to challenge the industry. Contractors who are providing safer work environments and offering enhanced benefits are winning the labour battle.

Competition heats up for best-in-class contractors

With few exceptions in contracting classes, nearly all lines of business are seeing an expansion in available capacity. Companies that demonstrate a solid commitment to risk management, safety and loss control may expect rate savings on renewal. In most cases, we're seeing underwriters focus on performance of specific lines, rather than overall claims performance.

General contractors and key subcontractors, including those specializing in infrastructure, commercial, institutional, and residential, are among the most attractive classes. Competition in these segments is expected to expand. Those who have risk control and mitigation at the forefront could see substantial reduction in premium over last year.

Not all rate savings will be felt by clients, however. Inflation on property values, cost of labour impacting construction values, and increases in client revenue – the ratable values that drive premium calculations – are just a few factors that may offset the value of premium reductions.

The exceptions

INDUSTRY VARIANCES

Clients in specific classes where losses tend to be more frequent and severe — particularly those with poor loss records of 1-2 losses within a 5-10 year period — may actually see modest increases. Underwriters are looking for evidence that clients have a plan to return to profitability and drive loss control practices to their front lines, which is proving a tenuous prospect for some in the industry, including:

- Roofing contractors
- Mechanical contractors
- Protective services (alarm and sprinkler) contractors
- Service contractors for industrial projects (such as install and maintenance of complex machinery)
- Bridge construction contractors
- Mining and tunneling construction contractors

REGIONAL VARIANCES AND CATASTROPHIC LOSS

“In B.C. a flat renewal is considered a good renewal, with some markets still pushing for increases because of their reinsurance costs related to earthquake and natural catastrophe.”

Nolan Heuchert
Managing Partner, Wylie-Crump Limited

Provinces historically prone to catastrophic loss from earthquake, flood, wildfire, or windstorm and hailstorm, such as British Columbia (including B.C. Lower Mainland and Interior), may not benefit from the rate reductions. Capacity for earthquake risk in B.C. remains exceptionally challenging. Deductibles have largely held outside the Lower Mainland and Vancouver Island. But in some regions, clients are seeing a deductible increase, or minimums doubling in real dollars to $500,000.

In British Columbia, brokers are struggling to find capacity in certain areas, including wood frame construction and mass timber. Clients there are more likely to see flat rates across the board on renewals, with insurers tentative about rising reinsurance costs.

Capacity and restrictions around wildfire risk, particularly in Interior B.C., and northern and rural Alberta and Saskatchewan will make availability of property, equipment, and Builders Risk or Course of Construction (COC) coverage challenging. Anticipate an increase in base deductibles, for example, rising to $50,000 from $25,000, with specific deductibles dependent on risk type, location and project size.

Terms are changing as well. In some cases, insurers seeking to limit liability in these regions are adding an endorsement excluding liability for damage caused to third parties by wildfire. In other cases, they may not offer forest firefighting expense coverages that have been historically standard in general liability policies.

Clients in regions that have experienced “mini-cat” weather events are already feeling mild increases in both rates and deductibles. For B.C, Alberta, Manitoba and Ontario, this includes areas in mapped flood zones. In extreme cases, flood coverage could be hard to come by. In the Prairies, hail continues to be a concern for property and auto insurers. For the Maritimes, severe windstorm events continue to impact insurer capacity and appetite.

Construction Insurance Outlook by Product

General Liability, Umbrella and Excess

There continues to be capacity for primary layers, and an increase of umbrella and excess capacity, with both Lloyd's and domestic insurers showing appetite. Clients in the construction sector can expect to benefit from this competition with moderate anticipated rate reductions available from several sources.

Capacity for primary layers of $2-5 million is ample, with many carriers offering between $25-50 million of total capacity between umbrella excess layers. Carriers who reduced tower sizes during the hard market cycle of 2020-2022 look to be in a strong position to rebuild towers to their historic limits or higher.

Commercial Property and Equipment

Despite additional capacity overall, there's no doubt regional volatility will affect commercial property rates for owned buildings, real estate and offices. Type and quality of building construction, age and maintenance history will also be taken into consideration. Despite this, we expect clients to see nominal single-digit reductions due to increased underwriting capacity. While the number of markets seeking to write Contractors Equipment have not changed as substantially, small reductions will likely be available in this category as well.

Lack of market capacity from 2020-2022 moved many toward subscription or primary and excess placement structures. The softer market will see fewer subscribers, and possibly the elimination of them altogether. A word of caution, however; the elimination of subscription, while simplifying the placement process and removing the "threat of competition," also consolidates volume with a single insurer, which may not be ideal.

Developers who act as general contractors, building and holding property have benefited from having primary and excess policy structures on property held apart from large multi-regional or multi-national schedules, or in high hazard occupancies. But this is not the best primary strategy for most clients, unless it's required as an alternative method of unlocking capacity at the top of a placement.

Commercial Auto

Insurers continue to lose money in the commercial auto space. For insureds, however, there is a significant difference in market capacity and competition, depending on the size of their fleet.

Individually rated commercial auto (ICRA) and small fleets are driving claims, mirroring activity in the personal auto space. Unlike with larger fleets, which have blanket cover, rates for smaller fleets are developed using discounts against filed rates. Commercial insureds are thus not immune to trends such as crisis levels of auto theft and restrictions in market availability. In Alberta, for example, where a rate cap is in place, we're seeing the potential for market exits, which reduces overall capacity.

There is significantly more opportunity to find some level of savings in the key contractor classes with larger fleets. Insurers are seeing profitability here, but they are simultaneously looking to the insureds to demonstrate fleet management, driver monitoring, hiring practices and fleet safety that mitigate risk. There's no guarantee of renewal for clients with historic claims, even if other portions of the account are going well. Insurers are demonstrating a willingness to walk away.

Wrap-up Liability

Lloyd's syndicates, and Canadian MGAs using Lloyd's capacity, have dominated this line over the past 15-20 years. We're seeing good capacity for liability on most "Construction All Risk" (CAR) projects, as well as "Industrial Commercial Institutional" (ICI) and residential, with combined primary and excess limits of over $100 million available.

Engineered projects ("Engineering All Risk", or EAR), such as power, transmission and distribution, energy, manufacturing and bridge construction will also experience small savings versus previous years, but we don't anticipate the same deductions as in the CAR space.

Clients can expect to see a few significant trending changes to terms, however. Insurers are now frequently inserting exclusion of damage to existing structures on wrap policies for renovation projects. Certain perils, such as water damage during the completed operations phase, may have increased deductibles applied, which could pose a problem if a lower deductible was stipulated in the contract.

Course of Construction - Builders Risk

"Capacity for what insurers deem unprotected risk, especially in wood frame and mass timber, continue to be challenging in B.C.."

Nolan Heuchert
Managing Partner, Wylie-Crump Limited

Most carriers will offer coverage consistently on highly protected risks and ICI risks, with competitive terms and conditions compared to one year ago. But there is a divergence in appetite between Construction All Risk (CAR) and engineered projects, and a significant variance in project coverage appetite within the CAR space between industrial commercial institutional (ICI) and residential projects. Drilling further down, underwriters are also differentiating between what they deem "highly protected risks" and those that are unprotected, firewise, particularly wood frame.

For the most part, clients can expect moderate reductions, along with competitive terms and conditions for highly protected CAR and ICI risks. The market is not as broad for residential, but select carriers are willing to offer participation on residential risks that resemble highly protected ICI projects, provided the projects have sufficient fire protection and are not wood frame or similar construction

For engineered risks, a smaller, highly specialized subset of insurers are offering consistent participation and capacity. We're also seeing a move toward alternative sustainable energy projects, as carriers remove themselves from traditional mining and energy projects. Coverage for all forms of EAR remain viable, however, with reductions available for clients demonstrating strong specialization.

Carriers continue to restrict appetite and construction for wood frame construction, especially in the residential multi-family, long-term care and housing spaces. It's a volatile space in terms of market participation, with carriers moving in and out. For the moment, new entrants to the wood frame market have been offset by other longer-term players exiting or reducing lines. Terms and conditions offered – including requirements for builders and owners to demonstrate solid risk management on projects – are largely consistent. Unprotected risks may still struggle to find coverage within the standard domestic market, and clients and brokers may be limited to options offered by MGAs as a "market of last resort".

Single-family construction for all types of builders and developers across regions remains abundant. Carriers are offering slightly higher limits compared to the pandemic era, with small to moderate rate reductions available. Increased water damage deductibles should still be expected, as this peril continues to be the key driver of claims activity in the residential construction space, both for single- and multi-family projects.

Single-project vs. blanket/master

For single-project or blanket, Course of Construction (COC) and wrap are available. Single projects are rated on expected volume of business, which makes them slightly less predictable than blanket/master placements. Clients can expect improved rates for blanket/master placement, with good capacity and enhanced deposit and adjustment terms over previous years. Installation Floater, as a subset of blanket/master COC will mirror general COC and Contractor's equipment lines.

Professional Liability

We're not seeing any substantial changes with Contractors Professional Liability and Project-Specific Professional Liability. They are less-frequently purchased, and market appetite and capacity remain status quo. Expect flat to decreasing rates in line with other liability classes.

Pollution Liability

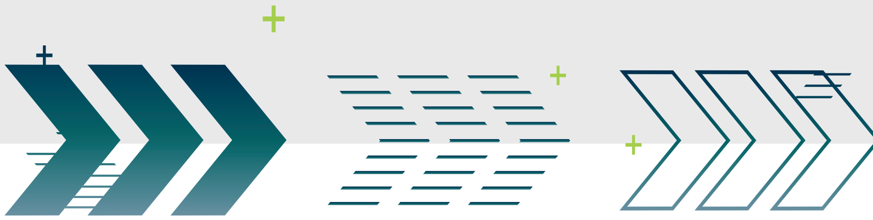
Project-specific pollution cover is relatively unchanged, but contractors are frequently required to carry annual pollution policies since the 2020 introduction of the most recent versions of CCDC2 and CCDC41 contract forms.

Carriers see this as a historically profitable line within the construction segment and there is healthy competition and additional capacity. Clients can expect to see up to 15% rate decrease.

“It’s crucial that we, as brokers, remind our clients to closely monitor their receivables. With borrowing costs high and default rates increasing, it’s a best practice for our clients to understand the potential risk posed by outstanding receivables or credit to their business.”

Morgan Kolababa
VP, Commercial Lines, HK Henderson

Surety Products



Unlike insurance, surety products don't see large swings in rate over market cycles. Pricing remains stable, driven primarily by a client's financial strength and specific segment of business, with strong capacity provided to best-in-class risks.

Although a mild cooling of inflation is starting to see more shovels in the ground, and material availability is stabilizing, the industry continues to be stunted by labour shortages. Bonding companies have a record amount of exposure, driven by projects that are longer, larger, and of ever-increasing complexity.

What to watch

Competition for labour means contractors are necessarily paying more competitive wages, and where labour or materials are not readily available, delays are the norm. Bonding companies will continue to monitor client balance sheets and their demonstrated ability to move forward on backlogged projects. They're also looking for evidence that clients are watching macro-economic trends that could hamper projects. Project selectivity is as critical as ever.

The last couple of years have been hard on the surety reinsurance market, and renewal cycles in 2024 mean firmer terms for direct writers. That means the bond issuer is likely to be paying more for their reinsurance, and seeing higher deductibles – just like many of their contractor clients. This may drive underwriting appetite to be more restrictive, selectively presenting in the industry as scaled-back capacity, or more difficulty in gaining support for that stretch project.

Private developers are being identified as a heightened payment risk as they navigate higher-for-longer interest rates on projects. There is a notable rise in insolvencies in the space. Subcontractor capabilities remain the subject of scrutiny by discerning general contractors. Subcontractors, for their part, should be mindful of the larger backlog many of their general contractor clients are undertaking.

“We are in a hard market cycle. Rates have consistently elevated a few points quarter-over-quarter in both property and auto. For the first time this decade, we’re seeing commentary from carriers that rate increases will crack double digits.”

Melanie Muise
President, Personal Lines and Travel Insurance, Navacord

Personal Lines

What to expect

- **High single-digit to low double-digit rate increases in auto, driven by severity of claims and irrecoverable theft**
- **Catastrophic weather and material costs driving up home insurance**
- **A new class of high net-worth millennials due to generational wealth transfer**

Personal Property

The hard market will persist in personal property with severe weather events, inflation, and the impact on replacement materials and labour costs, driving up repair and replacement values.

Last year's wildfires and severe flooding triggered a highly expensive year for catastrophic loss, with an estimated $3.1 billion in losses on record.

Premium grew by high single-digits in late 2023. It's estimated that unpredictable weather events and high replacement pricing in a hard market could trigger premiums in the low double-digits within the next 12 months.

Personal Auto

Inflation and low industry profitability will contribute to significant increases in personal auto. After three consecutive quarters of single-digit bumps in 2023, consumers can expect low double-digit hikes on renewals this fall.

Severity of claims, rampant and irrecoverable theft losses, and regulatory shifts in some provinces are also putting pressure on pricing.

Regulatory impact

The rate freeze for personal auto in Alberta makes it harder for drivers in that province to

access the coverage they need. Three carriers have already exited the province. The rate cap, a move also used in the province from 2017-2019, looks good on paper for price-conscious voters, but is expected to have the inevitable impact of driving rates higher in future.

Auto theft: a national crisis

Auto theft has been called a national emergency in Canada, with claims reaching $1.5 billion in 2023. In Ontario, alone, auto theft claims skyrocketed by 524% from 2018-2023, according to a report by the Insurance Bureau of Canada released in June. Eight cities in the Greater Toronto and Hamilton Area (GTHA), along with Ottawa and London are among the top ten costliest cities in Ontario for auto theft claims.

In May, the federal government released its National Action Plan on Combating Auto Theft. The report identifies roles and responsibilities for all levels of government, the insurance industry, law enforcement, port authorities and car manufacturers to combat the crisis.

Innovative insurers that invest in telematics, big data and artificial intelligence, are expected to remain competitive with pricing, even in the face of rising premium.

New class of high-net-worth clients

As millennials and generation X inherit assets, they are making up a larger portion of the high net worth and ultra high net worth segment in Canada.

Among the top concerns of this new generation of affluent Canadians? Protecting their assets, cyber threat and personal liability exposure.

Unlike those before them, these younger generations consider their primary residences an investment, and many have collections aligned with their passions – think boats, fine art, wine, jewelry, music and cars. The generational wealth transfer also means a good number have disposable income to spend on real estate, travel and collections.

Navacord has launched our Private Client Solutions (PCS) brand coast to coast, offering tailored products to this new class of customer.

Travel insurance

After years of sluggish movement in this category, travel is well on its way to recovery post-pandemic. Canadians, it seems, love to travel.

Navacord is now the largest travel brokerage in Canada, with significant offerings for "snowbirds" and all Canadians, while also serving visitors to Canada, including international students.

We're seeing a new trend in shorter, more expensive trips, primarily driven by medical costs and unfavourable exchange rates. Eco-tourism is high on the list for travellers, as is increased use of technology to plan and navigate trips. Insurers are finding a way to bundle insurance and non-insurance products to meet the needs of Canadian travellers.

According to a recent survey by American Express, Canada ranks as the second highest market globally for average anticipated spend on leisure travel in 2024, driven by our unique demographics and geography. More than one-third of Canadians intend to spend more on travel this year than they did in 2023. Canadians are also willing to travel at all times of year, with nearly half surveyed by AMEX saying they'll travel off-peak to save money.

We see ample opportunity to continue to innovate and grow in this space.

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