



CanadianBrokerNetwork

insights

WINTER 2024

Understand trends. Manage risk. Protect your assets and business.

Adapting to Growing Risks

The first half of 2024 has been a strong start for the Canadian P&C insurance industry. Insurance companies reported higher revenue and profits compared to last year, which is a reassuring sign of stability. However, experts caution that this positive momentum may be tested as we move into the latter half of the year.

That's because the summer of 2024 has already set records for natural disasters in Canada, creating significant challenges for the industry. Wildfires, floods, and severe storms impacted communities across the country, resulting in nearly 250,000 insurance claims — a staggering 406% increase compared to the 20-year average. Insurers paid out \$7.1 billion from four disasters in summer — the [Calgary hailstorm](#) (\$2.8 billion), [flooding in Quebec](#) (\$2.5 billion), [Toronto flooding](#) (\$940 million) and the [Jasper, Alta. wildfire](#) (\$880 million).

This makes 2024 the most expensive year for natural catastrophes in Canadian history. While insurers are equipped to manage claims, the sheer scale of these events will undoubtedly strain resources. As a result, customers may see changes in premiums, coverage options, or other policy adjustments in the months ahead.

Another factor is the rising demand for reinsurance, which is insurance purchased by insurance companies to help cover major



\$7.7 billion

The record-breaking amount Canada's insurers paid out in insured losses from natural catastrophes (natcats) by September 2024.—*CatIQ*.

By year's end, the total could reach \$9B.
—*Institute for Catastrophic Loss Reduction*.

In comparison, annual natcat loss averages were \$3B in 2022 and 2023.
—*CatIQ*.

events like wildfires or floods. With this year's disasters, insurers are looking to strengthen their protections, but increased demand for reinsurance could lead to higher costs across the industry.

While it's too early to predict the full impact, these developments highlight the importance of working with a financially strong and reliable insurer.

CURRENT SITUATION

Total insurance revenue increased by 9.25% compared to the same period in 2023, and net income grew by 60%. The industry also experienced a 52% increase in insurance service results after reinsurance and a 32.7% growth in net investment results. For Q2

	2024.2	2023.2	Δ%
Key Ratios (formulas are preliminary and subject to change – last updated April 8, 2024)			
Gross Insurance Service Ratio (GISR)	84.83	89.78	-4.94
Reinsurance Impact Ratio (RIR)	-4.02	-3.16	
Net Insurance Service Ratio (NISR)	88.85		
Reinsurance Service Ratio (RSR)	-80.71		
Insurance Service Expense Ratio	5.72	4.61	1.11
Combined Insurance Service Ratio	94.58	97.55	-2.97
Net Combined Ratio (Fully discounted)	96.78		
Gross Combined Ratio (Fully discounted)	94.03		
Investment Yield	4.42		
Return on Equity	13.45		
MCT/BAAT	260.12		
Source: MSA Research Quarterly Outlook Report Q2, 2024			

“ Now is a great time to review your insurance coverage and risk management strategies with your CBN broker. Whether it's your home, car, business or other assets, it's essential to stay prepared and properly protected. Partnering with a CBN broker means getting expert advice, tailored coverage and the tools you need to safeguard what matters most – because your interests always come first. ”

— LORIE PHAIR, CBN PRESIDENT.

2024, the industry's combined ratio was 94.58%, an almost 3% increase compared to the same period in the previous year. The results show that insurers are currently well-positioned to handle claims, even after such a challenging summer. However, experts caution against becoming too optimistic, as these results may not fully reflect the impact of a difficult summer.

WHAT THIS MEANS FOR YOU

CBN brokers look at insurance carriers' combined ratio as a key indicator of whether an insurance company is profitable (combined ratio under 100%), has an appetite to place more business and what their expectations of insurance buyers will be. You should consider the financial strength of an insurer when deciding which carrier to choose. The industry remains profitable – primarily driven by investments – indicating a level of financial stability that is reassuring for customers. Financially stable insurers are equipped to fulfill their promises and protect your home, business, or other assets when it matters most.

TRENDS IMPACTING YOUR INSURANCE



Severe Weather

What to Know:

Climate change is driving more frequent and severe natural catastrophes, forcing insurers to rethink their approach to coverage in high-risk areas. For Canadians, this means rising premiums, reduced coverage options

and greater uncertainty, particularly in regions prone to extreme weather events. But insurers are exploring innovative ways to manage the growing risks. Traditional coverage, which often focuses on major disasters, is being supplemented by forward-thinking solutions designed to address the financial impact of smaller, recurring weather events. This evolution is especially important in high-risk areas like Alberta and British Columbia, where rising premiums and reduced coverage options are becoming common.

One such approach is parametric insurance, which provides claims payouts based on predefined weather triggers, like excess rainfall or extreme heat, rather than physical damage, explains James King, Head of Fronting, Aviva, Global Corporate & Specialty (GCS) Canada. "Rather than waiting for a catastrophic event to trigger a payout, businesses can use Aviva Canada's parametric insurance to mitigate the financial impacts of smaller, more frequent weather events," he explains. These solutions simplify the claims process by using real-time weather data to determine payouts quickly and efficiently, helping businesses adapt to unexpected weather-related costs. This represents a shift towards a more proactive form of insurance, King adds, helping businesses recover faster from the kinds of events that don't always fit within the scope of traditional commercial property insurance.

What to Do:

Parametric insurance for businesses is part of a broader toolkit that includes strengthening infrastructure, encouraging risk mitigation practices, and fostering public-private partnerships. For homeowners, there are many steps you can take to help reduce your climate related risks and protect your home, King says. Whether it's increasing your [wildfire preparedness](#) or protecting your home from [wildfires](#),

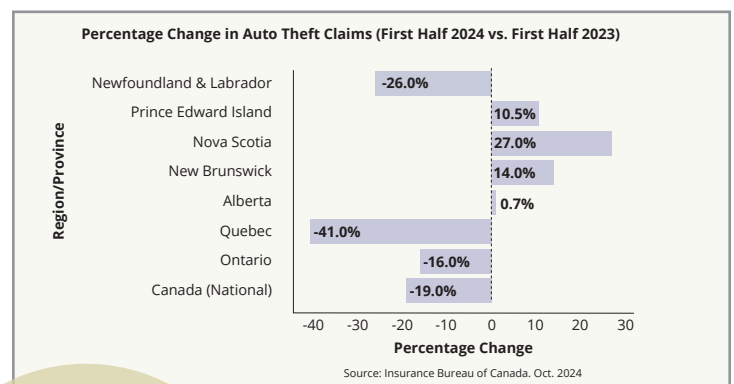
safeguarding your home from [hurricanes](#), or considering these [flood prevention tips](#).



Auto Theft

What to Know:

Auto theft in Canada continues to surge above historical levels, even though efforts to combat vehicle theft are starting to show results in especially Ontario and Quebec, where auto theft reached crisis levels last year, according to latest data from Insurance Bureau of Canada (IBC). Canada saw a 19% decrease in insurance claims for auto theft in the first half of 2024. But looking at the past decade, auto claims rose 148%, with the value of those claims skyrocketing 442% between 2014 (\$100 million) and 2024 (\$544.7 million). Auto theft, often driven by organized crime rings, continues impacting drivers' insurance premiums, compromising public safety and causing Canadians concern and trauma.



12.2%

The percentage increase in Canadian auto insurance premiums nationally in Q3, 2024, pared to Q3 2023. Auto premiums rose 31% over the last 3 years.

Quarterly Applied Ratings Index Report.

What to Do:

One of the most effective ways to protect your vehicle from being stolen is to [install an aftermarket anti-theft system](#), says Tracey White, AVP Personal Insurance Sales at Definity (Economical® Insurance).

"Not only can this help reduce your chances of becoming a target for car thieves, but an anti-theft system that tracks your vehicle's

location if it is stolen can also help with the recovery. Installing an anti-theft device on your vehicle could also help you qualify for an insurance discount, offsetting higher premiums that may apply to high-theft vehicles."

Many insurance companies report you can help reduce theft by 98% with a [TAG tracking system](#) – some insurers, including Definity, subsidize installation. Through its partnership with TAG, Definity offers free TAG systems and installations to their Ontario customers with certain high-risk vehicles (frequently stolen types), says White. "This proactive measure is one way we're trying to protect our customers against theft," she says, advising vehicle owners to explore Definity's comprehensive [auto theft protection tips](#).

Also consider [Équité Association's 4-layer approach](#) to vehicle security.

CANADIAN BROKER NETWORK IS HERE TO HELP. TALK TO YOUR LOCAL CBN BROKER ABOUT YOUR INSURANCE NEEDS