March 24 2025

THOMPSON'S
WORLD INSURANCE NEWS

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Swiss Re sells stake in Definity

SWISS RE has sold its stake in Definity Financial Corp., generating proceeds of roughly $655m.

Swiss Re group CEO Andreas Berger said the sale came after a regular review and "rebalancing" of the reinsurer's investment portfolio and follows its overall strategy for equity and alternative investments.

"We are very impressed with the significant progress Definity has made since its initial public offering in November 2021 and continue to value the ongoing business relationship with the company," he said last week.

"Swiss Re continues to be a strong believer in Definity's path towards becoming a leading p&c insurer in Canada."

Swiss Re initially gained a 9.9% share in Waterloo, Ont.-based Definity through a private placement on the same day of its IPO, acquiring 11,450,000 common shares of Definity at the initial offering price of $22 per share.

Swiss Re purchased additional shares last March at $46.25 each to increase its stake to 10.05%.

The entire stake was sold last week in an underwritten block at $56.20 per share.

The Healthcare of Ontario Pension Plan Trust Fund continues to hold a 19.9% stake in Definity. T. Rowe Price Associates, an investment management firm based in the U.S., holds a 10.06% share of the company.

Definity's IPO in 2021 was the culmination of a decade of work to turn Economical Insurance from a mutual company to a publicly traded one. It remains the only mutual p&c insurer to do so.

Resilience funding deemed unsustainable

AGGRESSIVE investment in resilience will be needed to break the escalating trend of rising losses and damages due to climate change, the author of a new report prepared for the Insurance Institute of Canada says.

Paul Kovacs, a senior researcher with the institute, has urged the insurance industry to partner with governments and other stakeholders to confront what he called an unsustainable trend of under-investment in protection.

"Ultimately, the most important catastrophe financing opportunity for the Canadian insurance industry involves increasing society's preparedness through investments in loss prevention," said Mr. Kovacs, who is also executive director of the Institute for Catastrophic Loss Reduction.

The new report, titled 'Catastrophe Financing: Implications for the Insurance Industry in Canada,' is part of the Insurance Institute's *Emerging Issues* research report series.

Mr. Kovacs said that over the next 10 years, senior management in most insurance companies will need to spend more time addressing the growing importance and complexity of catastrophe financing — and the broader implications that presents.

He noted that annual catastrophe claims paid by the industry in Canada 15 or 20 years ago were about $1bn a year but those over the next decade are expected to be much higher.

More claims will result in more capital at risk and require more reinsurance coverage and Mr. Kovacs said an appropriate reinsurance program could become more difficult to design and even obtain.

He said that in early 2023, there was a marked increase in the cost of reinsurance for insurance companies and restructuring imposed significant changes in coverage, including higher retentions. Everyone involved, he said, including long-term industry veterans, described the 2023 renewal season as one of the toughest ever.

"(Canadian p&c) industry pricing and coverage commitments have built-in an expectation that affordable reinsurance will remain available," he said.

Continued on page 5 ➤

Tariffs add to troubles for Alta. auto insurers

THE TRADE war with the U.S. is compounding challenges auto insurers are facing in Alberta as the province's cap on rate increases prevents companies from accounting for the extra costs involved.

Aaron Sutherland, the Insurance Bureau of Canada's VP for the Pacific and Western region, said the tariffs on vehicles and parts will further strain the viability of a marketplace where insurers are already paying out $1.15 in claims and expenses for every $1 of earned in premiums.

"That isn't sustainable in any industry," he wrote in an opinion piece last week in the *Edmonton Journal*.

"It has undermined the competitive market and forced some insurers to leave Alberta altogether. This has caused confusion and frustration for drivers, who have fewer companies to choose from and increasingly face challenges securing the coverage they need."

The province has promised a major overhaul of the auto insurance system in 2027 and insurers have called for several measures.

They include dropping the hidden health levy on premiums — a fee that doesn't exist in other provinces and adds $37 to the cost of every driver's policy — and eliminating the province's premium tax which adds another $70 per policy.

Mr. Sutherland said the success of Alberta's new system will hinge on the province adopting Manitoba's model.

"That province recognized that the more lawyers are involved in the auto insurance system, the less drivers save," he said.

To sustain lower premiums, Manitoba eliminated the ability to sue following a collision.

"To ensure improved affordability for Alberta drivers, our province must resist pressure from lawyers and take definitive action to remove the sky-high legal costs plaguing the current system," Mr. Sutherland said.

He said that with legislation expected this spring, the government must move urgently to finalize the details of its new 'Care-First' system.

"It's going to take time for insurers to review, price and adjust their systems and familiarize their teams with the new model to ensure things run smoothly — a tall order that will become impossible if the government's timelines start to slip," he wrote.

Kovacs calls for significant investment in climate resilience

➤ *Continued from front page*

"Nevertheless, the insurance industry should be prepared to act if concerns arise about the availability and cost of reinsurance as this would represent a threat to the industry."

Mr. Kovacs said there are limits to the financial capacity of the insurance industry to respond to very large catastrophes and it is important to formalize the role of the government to provide a liquidity backstop to address the systemic risk.

He noted that while Canada's p&c insurance industry has demonstrated its financial capacity to respond to large hazards in the past, it is inevitable that — over the longer term — circumstances will arise with the potential to overwhelm the financial capacity of the insurance industry.

The biggest known risk in Canada involves a very large earthquake in Montreal or Vancouver.

The Property and Casualty Insurance Compensation Corp., Canada's p&c policyholder protection provider, has been pushing for a liquidity backstop mechanism for earthquake risk from the federal government for more than a decade — to no avail.

Mr. Kovacs said significant investment in seismic and climate resilience must be a core strategy for the insurance industry to manage catastrophe financing over the longer term.

First, he said, those that benefit from asset owner investments in loss reduction — such as governments, insurers, asset owners and lenders — must work together to develop coordinated financial incentives that lead to increased resilience investments by homeowners, businesses and infrastructure owners.

"If bold actions are not taken, current trends could lead to a crisis of insurance affordability and availability," Mr. Kovacs said.

He said the insurance industry must also integrate seismic and climate resilience in all aspects of its work. That would mean coverage redesigned to add resilience when responding to claims, communications with policyholders designed to share resilience knowledge and proven protection practices and pricing that appropriately rewards those who are resilient.

Mr. Kovacs said most of the p&c insurance industry's efforts to promote resilience so far have not been sufficient.

"Larger gains require partnership," he wrote in the report.

"Municipal governments have been the first to take action.

"Ultimately, the resilience solution to the catastrophe financing challenge will involve significant investments in preparedness by homeowners, businesses and builders — empowered by awareness, directed by regulations and encouraged by financial incentives."

ILS capacity hits record $US107bn

RETAINED earnings and new capital inflows helped drive the estimated capacity level in the insurance-linked securities segment to a record US$107bn at the end of 2024, AM Best said in a report released last week.

The analyst said the total, which was estimated jointly with broker Guy Carpenter, benefited from two consecutive years in which the ILS segment did not incur any material catastrophe losses.

AM Best said capacity in the natural catastrophe bond market hit more than US$45bn.

"ILS managers believe that the strong returns in the cat bond segment may intensify the appetite of investors for other forms of ILS," said Matt Tuite, the analyst's ILS director.

The company said capacity increased in the sidecar space and is estimated to now range between US$8bn to US$10bn.

Meanwhile, industry loss warranty capacity remained flat and was estimated at between US$5bn and US$7bn.

And collateralized reinsurance capacity was estimated to be in the US$45bn to US$50bn range, with ILS managers hoping for growth in the segment following two years of solid investor returns.

AM Best said property catastrophe capacity exceeded demand during the Jan. 1 reinsurance renewal period, leading to overall risk-adjusted rate decreases.

"Retro capacity was widely available, coming off another essentially loss-free year, so those deals tended to see larger rate decreases, in the 10% to 20% range," said Wai Tang, senior director-ILS.

"Capacity was also plentiful in the upper layers of reinsurance towers typically covered by cat bonds."

THOMPSON'S
WORLD INSURANCE NEWS

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THOMPSON'S is published Mondays 42 times per year from the second week in September to early July, except during the Dec. 25/Jan. 1 holiday season, by First News Publishing Inc.

SUBSCRIPTIONS

Weekly edition rates are designed on a sliding scale according to company size. Higher rates include permission for more recipients/users. 10 or less employees—$169/ yr. (one user). Up to 19 employees —$249 (2 users). 20 to 29 emp. — $319 (3) . 30 to 59 — $389 (4). 60 to 99 emp. —$449 (5). 100 + emp. —$499 (6). Extras users (6+) — negotiable. Our **daily email service** is available with our premium upgrade. Price starts at $319 for one weekly user plus daily email service for one user. GST / HST not included. Reg# 862266442 RT001.

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National Library of Canada
ISSN 1481-8361

MARCH 24, 2025 — Vol. 37, No. 25

Westland consolidating benefits businesses

WESTLAND Insurance is launching a new brand for its benefits business in B.C. next month.

The broker said it is combining its acquired benefits firms under one brand called Westland Benefits, which it plans to expand nationally.

Matt Mann has been appointed president of the new division, which will offer customized solutions for employers of all sizes, including group life and disability insurance, retirement and savings plans, key-person coverage and holistic wellness programs.

Mr. Mann previously spent almost 23 years with global broker Aon in Chicago, holding several executive roles. He will oversee the national expansion of the new Westland division.

"Launching the Westland Benefits brand in B.C. is just the beginning," he said in a release earlier this week.

"We're at a breakthrough stage in terms of developing our national platform.

"I'm excited to lead this next chapter as we expand our operations across Canada."

As part of the transition, Westland Benefits will bring together the existing operations of Dupuis Langen, which Westland acquired last year, and Montridge Advisory Group, which it purchased in 2022.

Based in Richmond, B.C., Dupuis Langen specializes in employee benefits solutions for a broad clientele, including non-profits, social services organizations and unionized employers. Vancouver-based Montridge Advisory Group is an employee benefits advisory firm.

Westland's other benefits-related holdings include the Winch Group and Synergy Benefits in Burlington, Ont.; Cambridge, Ont.-based Reuter Benefits; Calow Benefits Group in Hawkestone, Ont.; Ottawa-based Prime Benefits Group, and Sigurdson Financial Group in Winnipeg.

It also operates a benefits-related branch in Mississauga, Ont. that was formerly known as Hubbard Insurance.

Manitoba Public Insurance scraps Project Nova

MANITOBA Public Insurance has scrapped its Project Nova technology overhaul after the estimated cost to complete it ballooned to $435m — more than four times the initial budget.

A mere $107m was set aside for the project when it was launched in 2020 to modernize MPI's digital services, enable online transactions for insurance renewals and driver's licence updates and to improve connections with repair shops.

Initially scheduled for completion in 2023, costs surged to $290m before climbing further after delays caused in part by leadership changes and a 10-week labour dispute.

The first phase in 2023 shifted MPI's special risk extension business to a digital platform, improving service for commercial customers.

The second phase, completed last June, introduced a registration system for commercial vehicle tracking under the international registration plan.

The province's Public Utilities Board had expressed concern about the budget for the project at the end of 2023. In 2024, MPI paused the remaining phases to reassess costs.

An MPI spokesperson told *Thompson's* that after completing the discovery phase for Project Nova's 'Release 3,' the corporation reviewed the results and determined a new plan was needed.

"The plan will be presented to our board shortly for approval," the spokesperson said.

"Once we have board approval and shareholder alignment, we will be in a position to present our plan to Manitobans. We look forward to sharing more information with our customers as we continue to move through this process."

U of T team wins industry case study contest

A TEAM from the University of Toronto has won the Insurance Institute of Canada's inaugural industry case study contest which focused on cyber risk.

The institute's 'NextGen Risk: Insurance Case Competition' featured 14 teams of students from colleges and universities across B.C., Alberta, Saskatchewan and Ontario who are studying insurance.

Sponsored by HUB International and Wawanesa Insurance, the competition awarded the winning University of Toronto team $4,000, with the B.C. Institute of Technology earning $2,000 for second place and Humber Polytechnic taking $1,000 for third.

The competition began with teams gathering at the institute's offices to receive their cyber risk case scenario and prepare their presentations. Each team presented to a panel of judges from the p&c industry with expertise in cyber risk. The top three teams were invited to present a second time in front of all competitors.

Although none of the students had completed the institute's C20: Cyber Risk course, they were provided with content from the course's textbook to assist in their preparation.

Many participants are enrolled in the institute's Chartered Insurance Professional courses as part of their academic programs, and some are active members of their schools' Insurance Risk Clubs.

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