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THOMPSON'S WORLD INSURANCE NEWS

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Industry urged to seek resiliency action

CANADA's p&c industry must secure greater government and homeowner investments in resilience in order to maintain home coverage that is affordable, comprehensive and available, the Insurance Institute says.

In a new report from its CIP Society, titled 'Home Insurance Affordability: Implications for the Insurance Industry in Canada,' the institute said the insurance industry needs to press with increased urgency for action by governments.

It said insurers should be seeking building codes that include protection from flooding, wildfire, hail and high wind and governments should be providing financial incentives to homeowners who invest in mitigation.

The institute said the industry also needs to become more effective in communicating present practices in a way that encourages homeowners to invest in seismic and climate resilience.

"The insurance industry must improve communications with homeowners about how resilience investments can have a favourable impact on home insurance pricing, terms and

availability," the institute said in the report, which was authored by senior researcher Paul Kovacs, who is also executive director of the Institute for Catastrophic Loss Reduction.

He also said rebuilding after a loss should include a commitment to reduce the risk of future losses.

"Governments and the insurance industry need to stop restoring damaged homes to their pre-loss condition," he wrote.

"This puts structures and their contents back at risk. Inevitably, homeowners will experience future loss and damage."

Mr. Kovacs said insurers and governments should commit to build back better by incorporating resilience protection into recovery efforts.

He noted that small increases in recovery costs lead to a significant reduction in future risk of loss.

"Recovery with added investments in resilience needs to become the expected response to loss events."

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Data centres generating major premiums

HYPERSCALE data centres are becoming a major growth opportunity for the global insurance and reinsurance industry, but S&P Global Ratings has warned that capacity constraints will likely leave part of the risk uninsured as project values continue to climb.

In a report published last week, S&P said annual investment in data centres could exceed US\$300bn by 2027, with some hyperscale campuses carrying total insurable values of US\$10bn to US\$30bn for construction alone. That compares with major infrastructure projects such as bridges or tunnels, which typically require coverage limits of US\$5bn to US\$10bn.

S&P said rising demand for coverage could generate US\$10bn in new premiums in 2026. By comparison, it is estimated that the global aviation insurance market produces about US\$5bn in annual premium.

The ratings agency said the opportunity extends beyond construction risk. In addition to buildings and equipment, insurers may also be

asked to cover business interruption, power dependency and operational disruption. S&P said those exposures can be as significant as the physical asset risk, particularly once a facility is in operation.

The firm said the industry is unlikely to be able to fully insure the largest projects. It expects capacity limits to keep a protection gap in place as insurable values reach US\$20bn to US\$30bn per location, with some risks likely to remain self-insured or only partly insured through captive insurers or alternative capital.

S&P said no single insurer can absorb these exposures on its own, and the market is increasingly relying on shared structures put together by brokers and lead carriers, with multiple insurers and reinsurers participating. It also expects alternative capital to play a larger role as the market develops.

The firm said insurers are likely to remain cautious due to the complexity of the risks and limited loss history.

Gulf conflict poses rising coverage risks for insurers

CRAWFORD & Co. said insurers and insureds face rising marine, environmental and coverage risks as conflict in the Gulf disrupts shipping through the Strait of Hormuz and increases the threat of vessel damage, pollution losses and trade disruption.

The claims management firm said in a bulletin that the environmental exposure is being intensified by vessel congestion, strict liability regimes under international pollution conventions and the added difficulty of salvage and wreck-removal work in hostile operating conditions. It noted that pollution liabilities can be triggered even when damage stems from hostile acts beyond a shipowner's control, creating immediate financial exposure for owners and their insurers.

The conflict has effectively closed maritime traffic through the Strait of Hormuz since U.S. strikes on Iran began, disrupting one of the world's busiest shipping lanes. Roughly 20% of global oil and gas supply passes through the strait and the de facto blockade has already pushed Brent crude above US\$100 a barrel.

Major protection and indemnity clubs and marine insurers have issued 72-hour cancellation notices for war-risk cover in the Arabian Gulf, Gulf of Oman and Iranian waters, Crawford said, shifting to voyage-by-voyage cover and driving up premiums.

The disruption raises the prospect of constructive total-loss claims, either because of physical damage and wear and tear or because vessels remain trapped for extended periods.

Crawford said there will likely be large volumes of cargo awaiting export from affected Middle Eastern ports that cannot be moved because of conflict, sanctions, closures or security risks, creating the potential for delay, spoilage, pilferage and rejection claims.

It estimated more than 140,000 containers, in addition to bulk oil shipments, could be affected.

The company said marine claims could also become more complex because of limited repair capacity in the Gulf, possible shortages of steel

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Insurers urged to champion risk reduction

► *Continued from front page*

"Including resilience measures in rebuilding is better for policyholders, and the small increase in the cost of resolving the claim is soon fully offset by reduced future claims."

Data in the report shows that home insurance prices have risen by an average of 5.3% a year over the past 29 years, compared with 2.3% annual growth in the cost of living.

Over the same period, median after-tax income grew by less than 0.8% a year after inflation, while natural catastrophe-related claims rose 8.1% annually.

Mr. Kovacs said most Canadians still spend only 1% to 2% of after-tax income on home insurance and coverage remains widely available for most homes. But he said strains are emerging in some markets, particularly where homeowners are paying more for reduced coverage through higher deductibles, caps and limits.

He also noted that availability is already constrained for homes at high or extreme flood risk and for comprehensive earthquake coverage with low deductibles.

The insurance industry can't solve Canada's broader cost-of-living crisis or stagnant income growth, Mr. Kovacs said, but the sector can do more to slow future premium pressure by championing disaster-risk reduction.

A strong base for action already exists, including proven measures for basement flooding, wildfire, hail, severe wind and earthquake resilience, and he said each dollar invested in targeted mitigation can reduce future losses by \$5 to \$10 or more.

He said experience in the U.S. shows that home insurance affordability will inevitably become an issue if Canadians fail to break the trend of rising severe weather-related home damage and continue to experience rising residential claims.

Institute launches career connection platform

THE INSURANCE Institute of Canada has launched a new online career platform aimed at helping p&c employers and job seekers connect across the industry.

The platform was developed by the Institute's Insurance Career Connections division in partnership with Kibbi Technologies, a Canadian multilingual job board and hiring process platform provider.

The institute said insurers, brokerages and job seekers across Canada can now create employer and candidate profiles through the Insurance Career Connections website.

The platform includes a job board where candidates can search and apply for roles directly, and a talent directory where users can upload resumes and create profiles that employers can search.

The institute said it expects to launch a mobile app soon.

It will sync with the website platform and allow job seekers to receive text and email notifications about new roles and use a job-mapping feature to find opportunities in their area and across the country.

For employers, the platform offers subscription options based on hiring needs.

The Institute said the 'Pro' version is designed for smaller employers, while the 'Enterprise' version can automatically import job postings from a company's existing careers page and connect with its applicant-tracking system.

"Our goal is to consolidate the various aspects of the insurance job searching and hiring journey within this platform," said Peter Hohman, president and CEO of the Insurance Institute.

ICBC invests in collision repair training

THE INSURANCE Corp. of B.C. said it will invest \$13.3m over four years in apprenticeship grants aimed at easing labour shortages in the province's collision repair sector.

The insurer said the funding will support apprenticeship opportunities at ICBC Repair Network facilities for automotive refinishing technicians and auto body and collision repair technicians. Eligible facilities can receive as much as \$56,500 per apprentice to cover a significant share of training costs.

ICBC said the program is intended to help build the repair workforce over time and reduce repair wait times for customers.

The insurer is also introducing additional grants for women and Indigenous apprentices, along with travel support for rural apprentices who need to leave their communities for training.

The grants are structured to strengthen the long-term workforce more quickly by encouraging apprentices to move through training in a timely way. Funding will be tied to each stage of training and Red Seal certification, ICBC said.

Jason McDaniel, ICBC's president and CEO, said the investment is designed to help repair shops recruit and train more apprentices while maintaining safe, high-quality repairs.

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