Westland gains more funding from Blackstone

ASSET management firm Blackstone Credit has provided a new round of funding worth $250m for fast-growing broker Westland Insurance Group.

Building on an initial investment one year ago, Blackstone has now committed more than $1.2bn to support Westland's continued growth, including a facility dedicated to funding the company's acquisition strategy.

"Our partnership with Blackstone Credit, which brings global scale and resources, as well as deep expertise in the insurance sector, has provided us with a competitive edge and allowed us to significantly accelerate our growth strategy, while remaining a family-owned, independent business," Westland CEO Jason Wubs said.

"We're thrilled to deepen our relationship with the Blackstone team, which will support our goal of becoming Canada's leading independent insurance brokerage."

Surrey, B.C.-based Westland was established in 1980 by Jeff Wubs as a single-office brokerage in nearby Ladner and it has grown into one of Canada's largest independently owned insurance distributors with more than 190 locations across the country. It has 2,200 employees and handles annual premiums worth $2.5bn.

Blackstone is one of the world's largest credit-focused asset managers, with $188bn in assets under management. It is headquartered in New York and has offices in the U.S., Europe and Asia.

Following the initial investment from Blackstone last year, Westland has expanded its presence in the commercial market with the acquisitions of Ontario-based brokerages Tredd Insurance Brokers and Bunnell Hitchon Insurance Brokers. Westland also recently acquired Reider Insurance and MBS Insurance Brokers.

"The Westland team has built an exceptional insurance business, which has evolved from a regional player to a leading national broker, while remaining deeply committed to each local community it serves," said Michael Carruthers, a senior managing director at Blackstone.

"We're excited to expand our partnership and support key future growth, including acquisitions, which will bolster Westland's distribution offerings."

End of hard market expected this year

THE HARD commercial market is likely to let up in 2022 but that might not be the best thing for the overall health of the industry, a long-time p&c executive has warned.

Speaking during an 'Industry Trends & Predictions' seminar held by the Insurance Institute of Canada last week, Phil Cook, CEO of Omega Insurance Holdings, said that if the market does soften this year it will be the shortest hard market in Canadian history.

And he said it will likely end because of consumer pressure rather than because the market has balanced out the long soft market that preceded it.

Mr. Cook noted that it will be difficult for insurers to raise premiums when the overall economy is lagging and consumers see the high profit margins that insurers have posted during the pandemic.

"Unfortunately, one year doesn't represent much of a return," he said. "If you look at a five- to 10-year return for the industry, it's still pretty dismal."

It's impossible to know for sure if a market is truly hard or soft until you're looking at it in retrospect, he said. But if the hard market does end this year, he said a softer market might not be sustainable for long.

The moderation of the hard market for insurers and reinsurers was one of 10 trends Mr. Cook predicted for 2022. Others include:

- Capital will continue to follow opportunity. If insurers continue to post solid profits, it is likely more capital will flow to the industry.
- Consolidation will continue for both intermediaries and insurers.
- The ILS market will continue to expand.
- The MGA segment will continue to expand.
- Regulatory changes will be clarified, particularly requirements for the new accounting standard IFRS-17.
- Technology will advance and insurers and intermediaries will expand and work more closely together.
- Weather losses will increase.
- There will be an increased focus on outsourcing or shared services.
- Customers will expect more transparency and disclosure from insurance businesses.

Mr. Cook also addressed what he described as over-hyped trends that he believes will not affect the industry as much as some predict.

He challenged the theory that the direct-to-consumer distribution system is the best way forward. Mr. Cook said that while many people have switched to direct buying across sectors in the pandemic, many of those people also want to move back to in-person dealing when they are able.

He noted that intermediaries such as brokers who have provided valuable guidance in the pandemic are well-placed to thrive in the future.

Mr. Cook also offered three recommendations for changes that he believes would benefit the insurance industry going forward.

The first is to bring policy wordings up to date in order to make sure the products are clear and understandable for customers who are buying coverage online without the advice of brokers or agents.

The second is to rethink the definition of 'all-risk' coverage, which he said is now more complex than the old-style named-peril policies.

"We must update the wordings to get away from the concept of all-risks, which is a misnomer at best and a wrong description at worst," he said.

Mr. Cook's third recommendation is for the industry to consider more effective methods to fund increasingly high catastrophe exposures.

"It's impossible to think that we could ever collect enough premium (to cover actual costs) from the people that live in the areas that are most susceptible to those catastrophes," he said. "The only way going forward is to call catastrophic loss an actual risk that is being insured."

He said that if that method were adopted and premiums were raised by $150 a year for those in susceptible areas, that would fund the annual losses and would also be something people would generally accept.

PACICC updating compensation fund

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PACICC said some interest was expressed for a combination of reinsurance purchase and line of credit to cover the gap between the fund and target, until such time as a series of capital levies would enable the fund to reach a new, higher target.

It said its staff will review the feedback with broker Guy Carpenter Canada, with which it has been working on the project, to explore alternative reinsurance scenarios. PACICC said it expects that its board of directors will review the results of that research at its strategic planning conference scheduled for June.

The reinsurance initiative is part of the coporation's work to update the industry's compensation fund which was established more than 20 years ago. The corporation is working this year to determine what the appropriate size is for the fund, what sources of financing are available to to collect that amount and how can PACICC best leverage the funds to achieve its mission. PACICC said it will provide an overview of potential recommendations to its board in June and is aiming to have formal proposals ready in November.