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INSIGHTS

Crosswinds and Currents

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“The value of the broker is being transparent with the client, having the niche expertise, knowing who the expert underwriters are, choosing the shortlist, and not necessarily moving the account for a quick price reduction, but getting the best deal for now and for the hard market in the future.”

Robert Beeston
Vice President, Construction Practice, Navacord

Crosswinds and Currents

Coming off a record year of catastrophic losses, there is healthy competition in most categories of insurance on the commercial side, as insurers remain profitable. The resurgence of Lloyd's in Canada post-pandemic and an influx of new players means insureds benefit from competitive pricing and terms.

On the flip side, a hard market persists in personal property and auto, where clients are bearing the brunt of higher reinsurance rates due to climate-related claims in Canada and globally.

Although capacity remains strong for directors and officers (D&O) liability, macro-economic and geopolitical factors are influencing underwriter scrutiny and renewals. The unpredictability of tariffs, potential supply chain disruption and challenges facing business planning means boards must do their due diligence and pivot as necessary. Boards are monitoring changes to diversity and climate-related reporting south of the border, while at the same time many companies are delaying capital expenditures or taking a "wait and see" approach due to uncertainty around tariffs. This pause in activity is leading to uncertainty in the D&O market in future.

There's little doubt that the competitive environment in most lines of business can save clients money. But beware of naïve and inexperienced capacity in the marketplace. For large, complex corporations and programs, consistency in appetite, claims management and product offerings can still trump short-term savings in a cyclical insurance market. Broker and underwriter knowledge and experience, and the longevity of the client-underwriter relationship can create goodwill and partnerships beyond an existing market shift.

Soft market conditions offer an opportunity to put pressure on a client's existing insurer to lower rates and offer favourable, competitive terms, particularly for clients that have strong risk profiles and a positive claims history. Shopping around may not always be the best strategy if it means placing a client with an insurer that may not have the ability to consistently support certain classes of businesses during transitioning market conditions, as we have historically experienced.

Consolidation in the Market

In recent news, the confirmed $3.3 billion acquisition of Canadian operations of The Travelers Companies, Inc. by Definity Financial Corporation in May is further evidence of consolidation in Canada's P&C marketplace. The sale, expected to be finalized in early 2026, includes Travelers' personal insurance and the bulk of its commercial insurance portfolio, but excludes surety.

In the short term, Definity and its brands will be positioned immediately to offer additional scale, depth and experienced underwriting resources in the mid-to-large commercial space, benefiting clients. On the heels of other large-scale mergers and with the continued presence of carrier subsidiaries in the retail marketplace – including direct writers and retail brokers – it's unclear what the shrinking market may mean for competition in the longer term.

"Although capacity and competition amongst insurers is strong, the need for detailed underwriting information that reflect strong risk controls and best practices continues to be of utmost importance for all insurers."

Imran Pira
Managing Partner, Head of Complex Risk,
Jones DesLauriers

Commercial Property Insurance Forecast

What to Expect

- **Underwriters looking for insureds to demonstrate risk mitigation and loss control**
- **Favourable terms on capacity caps and deductibles for best in class**
- **Continued softening rates in most areas**

Ample capacity and profitable insurers mean opportunity in the market. The resurgence of Lloyd's, the entrance of global players like Sompo, and growing managing general agent (MGA) appetite are pushing traditional carriers to sharpen their pencils. Underwriters who had previously established caps on capacity and increased minimum deductibles, particularly for water damage and flood, are relaxing restrictions to attract new business.

Insureds are expected to meet underwriter expectations on loss control and risk mitigation, particularly in a climate of extreme weather-related claims. Clients who demonstrate a lack of attention to property loss prevention could still see increases, even in a soft market. Underwriters are looking for money to be set aside in capital expenditures budgets to address line items in the contract.

With the unpredictability of climate-related weather events, there is an expectation that new buildings and reconstruction are resistant to extreme weather, including fire, water damage, windstorm and hail. Major claims concerns for property carriers continue to be related to water damage. Clients must establish risk mitigation programs and take advantage of new technology, particularly on new builds and conversions in the residential space.

Brokers can demonstrate their value by working with Navacord's loss control specialist resources and illustrating to insurers that clients are working on a defined loss control schedule.

Auto Fleet

Nationally, insurers have been experiencing negative claims in the commercial auto segment. Despite this, clients that demonstrate a commitment to driver management and loss prevention with positive claims continue to see flat-to-decreasing rates on renewals, particularly for those with larger fleets.

Insurers are looking to clients to implement technology-driven risk mitigation tools, like real-time driver-habit transmitters, to demonstrate a positive risk profile.

In two of Canada's largest private auto-insured provinces, regulatory changes may have an impact on auto fleet coverage in future. Last year, Alberta began consideration of major legislative and regulatory changes around auto insurance, including no-fault or partial no-fault options. These are yet to be implemented.

In Ontario, there have been no significant changes yet to the regulatory environment, but upcoming changes to accident benefits may impact affordability and choice. Supply chain challenges and labour costs continue to drive up claim costs.

“A soft market presents a unique opportunity for brokers and clients to explore new possibilities, strengthen key relationships, refine their London market strategy and pursue expanded coverage options.”

Morgan Kolababa
Vice President, Commercial Lines,
HK Henderson

Commercial Liability Insurance Forecast

What to Expect

- Growing appetite from insurers for liability business
- New exclusionary language for "forever chemicals" and other substances
- Favourable and reduced rates and breadth of coverage

Primary and General Liability

Primary and general liability remains one of the most attractive lines of business for carriers within their defined appetites. There is continued expansion of capacity, with Lloyd's driving competition. Insureds are in a favourable position, with no significant market push to increase retention or change terms and conditions within the primary liability layers.

Clients should be aware that long-tail claims exposure issues related to products liability arising from PFAS (per- and polyfluoroalkyl substances, known as "forever chemicals") and other similar substances have resulted in the addition of exclusionary or limiting language across most domestic carriers and most Lloyd's markets.

Umbrella and Excess Liability

Umbrella and excess liability softening has outpaced other lines, with carriers offering higher layer limits and lower layer pricing, with no significant change to breadth of coverage.

SPOTLIGHT ON CONSTRUCTION

What to Expect

- **Greater appetite for historically challenged classes**
- **Competitive pricing on auto fleets**
- **Increased capacity for builder's risk, including catastrophic risk cover**

General Liability (GL), Umbrella & Excess

Mirroring conditions across the larger insurance market, general liability (GL), umbrella and excess remain among the most attractive risks for most insurers. Capacity for most carriers at the primary layer remains at $5-25 million, enabling casualty towers of nearly any size to be put together relatively easily for nearly all classes. Reductions will be mainly focused on the primary, umbrella, and lower layers of the tower.

Rate reductions for most contracting classes will still exceed reductions in the general market. Carriers are showing expanded appetite for historically challenged classes such as mechanical contractors and restoration contractors. Roofing, protective services, environmental, and higher-hazard industrial contractors will also find some savings. This is less due to expanded market participation and more due to rate relief from traditional capacity sources.

Property and Equipment

Expanded capacity for builder-developers will enable reduced need for long subscription schedules. Where developers own and maintain a portfolio of property, they may still maintain a single carrier.

There has been no significant expansion or contraction in the market relative to contractor's equipment. Contractor's equipment rate changes will be similar to property rate changes, potentially in the high single-digit to mid-teens. Few markets specialize in higher-value and complex equipment, which allows the insurers to drive terms and conditions more so than for lines of business with a competitive footprint.

Commercial Auto

Insurers had seemed content to set an established walk-away price in recent years, even considering some level of frequency or severity of claims. Contracting classes for commercial auto and fleet remain profitable, however. Healthy competition in the market may drive pricing down on a risk that might otherwise have increased.

Driver hiring and training practices and fleet risk management are paramount to ensuring competitive and long-term placement. Contractor fleets consisting of light and heavy truck units should also see reductions.

Navacord's fleet risk specialists should be consulted well in advance of renewal to ensure that an optimal picture of the risk is being presented to insurers to maximize market results, whether from an incumbent carrier or potential new market partner.

Wrap-up Liability

Lloyd's of London remains the principal supplier of capacity for wrap-up liability, whether directly accessed through Lloyd's cover holders or indirectly accessed through managing general agents (MGAs). Combined limits for primary and excess wrap-up remain available through multiple sources in excess of $100 million.

Rates for wrap-up continue to drop on most project types. Due to the competitive marketplace, restrictions to terms and conditions or coverage withdrawals seen in prior years has reversed to pre-2018 conditions, with slightly higher deductibles.

Coordination between a contractor's general liability program and project liability policies is essential. Difference in conditions (DIC), excess limits, and difference in deductible (DID) provisions allow a contractor's general liability policy to address any gaps or significant differences between their own coverage and wrap-up policies, whether or not those policies are under control of the contractor.

Course of Construction/ Builder's Risk

Capacity for most projects has expanded in the first quarter of 2025. Markets that previously restricted capacity are once again actively writing, leading to better terms and higher limits being readily available. Challenging conditions continue to exist in certain sub-segments, including wood-frame residential, and unprotected projects, fire-wise.

Rates for most projects – including wood frame – have been reduced by low double-digits in most regions. The Maritimes is the most competitive region in Canada for standard building projects, reporting rates and terms not found in other jurisdictions.

Blanket or master builder's risk programs allow contractors to readily cover and pre-price projects without need for individual submissions for every new project. Competition has contributed to reduced rates and expanded appetites.

Deductible buy-down products for construction, particularly for catastrophic risks, (earthquake, flood, and windstorm), are becoming more readily available, allowing owners and contractors to maintain higher deductibles on a base policy, while having a gap between the base policy deductible and the desired deductible for these perils covered off through a separate policy.

Pollution (Environmental) Liability (EIL) and Contractor's Professional Liability (CPL)

With fewer insurers offering these products, environmental liability (EIL) and contractor's professional liability (CPL) don't necessarily follow the rest of the market in terms of market cycles. EIL is seeing greater participation with higher limits and substantively improved terms and conditions over the past two years.

CPL continues to be a highly restricted class, with fewer markets offering options than they would for EIL. Rates and terms for CPL are largely unchanged.

Combined policies, offering either separate or shared limits for CPL and EIL, are available through several carriers that also offer the ability to purchase both lines either on a single project or annual basis.

Pay attention to annual aggregate limits on each policy relative to contractual requirements per project. Where necessary, policies may need to be endorsed to ensure they satisfy those requirements.

"Take advantage of the soft market conditions we're in today. If there's appetite to increase limits, it's a great time to act. The financial markets are choppy and the political environment across North America has created some uncertainty. We don't know what's around the corner or how long these soft market conditions will last, nor which way the pendulum will swing."

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

Directors and Officers (D&O)

What to Expect

- **A continued strong supply of D&O liability capital**
- **Increased scrutiny by D&O underwriters of potential tariffs and their impact on bankruptcy risk**
- **Changes to public reporting on environmental, social and governance (ESG)**

The soft market that's been prevalent for the past few years appears to be slowing in 2025, with anticipated flat rates by year end. Despite continued appetite and capacity from insurers to underwrite D&O, both insurers and boards find themselves in uncharted waters. The change in the U.S. administration with day-one executive orders on diversity, equity and inclusion (DEI) policies and tariffs are challenging leadership to know how to predict and report potential risk and how to mitigate it.

With the uncertainty, the Canadian Securities Administration (CSA) has put its intended climate and diversity-related disclosure protocols on hold, as U.S. companies move to meritocracy-based reporting. Companies operating on both sides of the border will have to thread the needle to know what to disclose and when.

In the context of tariffs, many companies, especially those in the energy and manufacturing sectors, are pausing production and capital investments. Boards are challenged to accurately report tariff risks to shareholders and make predictions related to profitability, or even bankruptcy. Adding to the volatility, 2024 saw a material year-over-year increase in securities class action suits among publicly traded companies in Canada.

Risk Mitigation

Purchase additional D&O limits while capacity remains strong.

Watch for competitive rates and enhancements in coverage as D&O insurers use these to distinguish themselves from one another.

Get familiar with D&O insurance programs, the personal liability coverage available to directors, and when and how to report claims under the policy to help navigate a challenging and changing macro environment.

"The cyber insurance market continues to evolve rapidly in response to a dynamic threat environment."

Patrick Bourk
Vice President, Cyber and Professional Lines, Navacord

SPOTLIGHT ON CYBER LIABILITY

What to Expect

- **Rise in supply chain and ransomware attacks**
- **Artificial intelligence-generated phishing scams**
- **A competitive, but cautious, insurance market**

The June 2024 breach of CDK Global, a key software provider for thousands of automotive dealerships, led to operational shutdowns for numerous businesses. The breach underscored the interconnectivity of the digital supply chain and highlighted the growing exposure organizations face from third-party vendors.

Supply chain attacks continue to be among the fastest-growing threats in the cyber space. Software providers, cloud infrastructure and logistics networks are all exploited as points of entry by cybercriminals. Ransomware attacks remain prevalent, with attackers focused on data infiltration, extortion and targeting critical business functions, rather than simply encrypted files. Detection and containment are more important than ever.

Artificial intelligence (AI) allows organizations to bolster their defences. But it's also increasingly leveraged by attackers to scale phishing campaigns, generate convincing social engineering content and quickly identify system vulnerabilities, bypassing traditional detection methods.

The cyber insurance market remains competitive, but carriers are looking for evidence that clients are employing proactive controls, such as AI-enhanced threat monitoring, employee-awareness training and robust email authentication protocols. Clients with mature cybersecurity programs and favourable loss histories will see modest premium reductions and improved terms. Certain perceived high-risk sectors, such as healthcare, education, manufacturing and managed service providers, may still face tighter underwriting requirements and higher premiums.

Risk Mitigation

Conduct a thorough supply chain risk assessment to understand which vendors have access to sensitive systems and data.

Engage early for renewals to give ample time to gather data, make risk mitigation improvements and negotiate favourable terms.

Evaluate your AI exposure and defence posture to identify how AI is used within your organization and if existing detection and mitigation is in place.

Prepare for deeper underwriting due diligence by maintaining up-to-date security documentation, such as penetration test results, incident response plans and control validation reports.

“Traditionally, a softer market does not translate to clients looking at captive or alternative risk structures, but the previous hard market has made many Canadian companies wary and proactive.”

Patrick Ferguson
Vice President, Captive & Analytics, Navacord

Focus on Captives and Alternative Risk

What to Expect

- **Companies getting ahead of the curve with alternative risk structures**
- **Memories of hard market conditions make captives more appealing for future risk mitigation**
- **Alberta has become a captive domicile of choice**

Following the most catastrophic year on record, companies are looking for ways to minimize insurance expenses in future, with captive insurance companies as a component. Insureds are still reeling from the hard market of 2021, and they're looking ahead to alternative options.

Tariffs are a game changer for business stability. As clients feel economic pressure across their balance sheets and look for ways to reduce their operational expenses, captives have become a more attractive option. Insurance is often a large, fixed expense for some clients and a captive is one way that could reduce expenses.

Alberta has emerged as a captive domicile of choice for Canadian clients, with 33 captives established in the province since 2022. Providing flexibility and an onshore captive option is very appealing. Boards and C-suites of some Canadian companies had real hesitations setting up in Barbados, Bermuda or the Cayman Islands, regardless of cost savings, given the perception of moving money offshore. Establishing a captive in Alberta is more streamlined than those offshore and can be done quite quickly.

Clients may not need these resources today, but it has become more important that their broker of choice has these capabilities on hand when they do need them. The client-broker relationship is coming to be viewed as less transactional and more consultative, with brokers able to provide value-added solutions and a depth of specialized expertise.

“Manitoba and Saskatchewan are feeling the macro-economic effects differently than other parts of the country.”

Morgan Kolababa
Vice President, Commercial Lines,
HK Henderson

Possibilities in the Prairies

In the Prairies, agri-food, including growers, transporters and processors, are essential commercial clients. While the rest of the country braces for the impact of U.S. tariffs, Manitoba and Saskatchewan already benefit from diverse trade partners.

Approximately 41% of Saskatchewan's international trade last year, and one-quarter of Manitoba's, was to countries other than the U.S. In 2024, Saskatchewan was the world's leading exporter of lentils, dried peas, oats and canola. More than $8.5 billion in agri-food exports of $13 billion went to markets outside of the U.S. The province saw a 50% increase in grain exports in 2023.

Manitoba has seen expansion to Japan, its third-largest trading partner, increase by 6% over the past twelve months.

As the Prairies, along with the rest of Canada, settle into a soft market, clients are looking at ways to solidify their London strategy. The appetite and favourable conditions can be locked in now to mitigate against future hard market conditions. There are also opportunities to secure cyber and other liability risk coverage at favourable prices, without expanding capital expenditure on insurance.

FURTHER READING:

- *Saskatchewan Agriculture Natural resources and industry trade statistics*
- *https://www.gov.mb.ca/mbs/publications/mbs302_imt_2024_q3.pdf*

“There is no consistency in weather patterns, with once in a hundred-year storms occurring more often in more parts of the country.”

Melanie Muise
President of Personal & Travel Insurance, Navacord

Personal Lines

What to Expect

- **High single-digit to low double-digit rate increases**
- **Tariffs and their impact on supply chains impacting replacement costs**
- **Shift to non-U.S. travel destinations**

Personal Property

Personal lines are feeling the brunt of a record-breaking year in climate-related property claims. In Canada, claims related to wildfires, hailstorms and floods reached an all-time high of $9 billion last year. In 2025, Canadians have already seen an early start to wildfire season in the Prairies and the devastating spring ice storm that hit Central Ontario in late March. This coupled with international events, such as the Los Angeles wildfires in January, and back-to-back hurricanes Milton and Ian last year south of the border, may cause reinsurers to reevaluate what they're covering and when.

While there is a noticeable trend of consumers "shopping around" for better rates, it would be hard to find any discounts in the current market. Despite ample capacity, reinsurers saw a 52% decrease in net income in Q4, as they use more revenue to cover claims. With years of inflation and supply chain woes, post-catastrophe replacement costs continue to rise.

Personal Auto

Consumers will continue to face hard market conditions in personal auto, with anticipated rate increases and a demand for higher deductibles. Auto theft, shifts in provincial regulatory environments and high replacement costs all impact renewals. Tariffs and tariff threats, supply chain disruption, increased labour costs and irrecoverable theft losses are driving rates upward.

Reining in Auto Theft

A concentrated effort by multiple levels of government, border services, law enforcement and industry have contributed to a decrease in auto theft. Following a record high consecutive two years, theft rates in 2024 were down 18.6% – 17.4% in Ontario, 32.4% in Quebec, 12.7% in the Western provinces and flat in Atlantic Canada, year-over-year. With only a 40% recovery rate nationally, however, theft will continue to challenge all drivers when it comes to finding deals on their insurance renewals. Recovery rates in Ontario, where organized crime rings focus on newer, luxury cars, is a persistent challenge.

Regulatory Impact

Alberta's legislated rate freeze on renewals saw the withdrawal of three carriers from the province, threatening competition in the market for consumers. The move to a direct compensation model in the province, if left unchanged, may make auto insurance unsustainable by 2027.

Following the Ontario election, the government has started the process of overhauling accident benefits, with the goal to make auto insurance more affordable for consumers. Ontario drivers pay the highest premiums in Canada. At the same time, it's unclear how to "unpackage" the existing accident benefits to allow customers to pick and choose what they need. As this moves forward, brokers will play an ever-important role to interpret an increasingly complex product and ensure clients don't eliminate needed coverage just to save money imminently.

Travel

Following post-COVID recovery last year in the travel industry, overall travel was down significantly in the first few months of 2025. There's a sense that Canadians are in a "wait-and-see" mode regarding future U.S. travel, or they're taking their time as they look for alternative destinations. According to data published by travel company OAG, flight bookings made in March fell anywhere from 71.6% to 75.7% for anticipated travel between April and July.

Those who are traveling are taking shorter trips, and there is a significant uptake in insurance as people are more aware of travel risk globally.

The early summer months are often a time when Canadian snowbirds are looking at next year's winter destinations. Inquiries for insurance around Dominican Republic and Mexico have increased. As large Canadian airlines like Air Canada and WestJet introduce new domestic routes and flights to non-U.S. destinations, they may dictate the future trends in Canadian travel.

New policies on immigration, including caps on international students, have already contributed to a decrease in demand for expat insurance and student visa coverage.

Navacord is the largest travel insurance broker in the country. More than just underwriting, brokers can assist Canadians with questions around visas and other immigration questions before they take flight.

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