

Welcome to the latest edition of the Market Insights. It's satisfying to be able to share some good news about the Canadian real estate insurance industry as we enter the final quarter of 2024.

Key Insurance Market Trends

Many of our customers in the condo community have been concerned about the fluctuation of insurance rates over the last few years and have been hoping for a return to more calm and stable conditions. At BFL CANADA, we've heard that message loud and clear, and we have been laser focused on doing everything possible to help stabilize rates and get things back to normal too.



In this issue, we are going to review some important developments in the residential real estate insurance industry and outline factors that influence how premiums are set and how we are working to keep them manageable and stable.



The headline is that the residential real estate insurance industry has seen some positive developments over the past year. An optimistic view among existing insurers—combined with the entry of new players—is reshaping the market landscape, leading to heightened competition, more favourable terms for policyholders, and a trend toward stabilizing insurance rates in the marketplace.



Historically, this sector has been challenged by risks from natural catastrophes, rising claims and an evolving regulatory environment. But the stabilization of the industry over the past few months has attracted new players into the market eager to capitalize on emerging opportunities. This is a notable change from the more cautious and conservative position many insurers had adopted in previous years.

Good News for Clients and Industry

In addition to new entrants into the market, Canadian insurers are showing renewed interest in the residential real estate market by increasing their capacity while stabilizing deductibles. The increased competition among insurers is resulting in competitive rates, broader coverage options, and flexible policy terms for policyholders, according to Canadian Underwriter¹. That is a win for the industry and our clients alike!

Decreasing insurance rate trends are further driven by factors such as reductions in claims, advancements in risk modeling, and heightened competition among insurers. The Insurance Bureau of Canada (IBC) reported that insured losses from catastrophic events in 2023 were approximately \$3.1 billion², down from \$3.4 billion in 2022³. This reduction in claims has allowed insurers to reduce premiums while maintaining their profitability.

That said, Canada has seen a record number of insurance claims this summer as a result of a hailstorm in Calgary, wildfires in Alberta, flooding in southern Ontario and Toronto, and two major tropical storms that hit Quebec—one labelled the “storm of the century”. Catastrophe losses in 2024 are expected to set a new record and exceed \$7.6 billion⁴.

Modeling advancements that allow for more accurate risk assessments of flooding, wildfire, conventional storms, and earthquakes have helped insurers to decrease rates by allowing them to be more selective of their risks. Partnering with third-party companies has also allowed insurers to work with customers to help improve risk mitigation and prevention.

Setting Out Long-term Plan for Sufficient Coverage

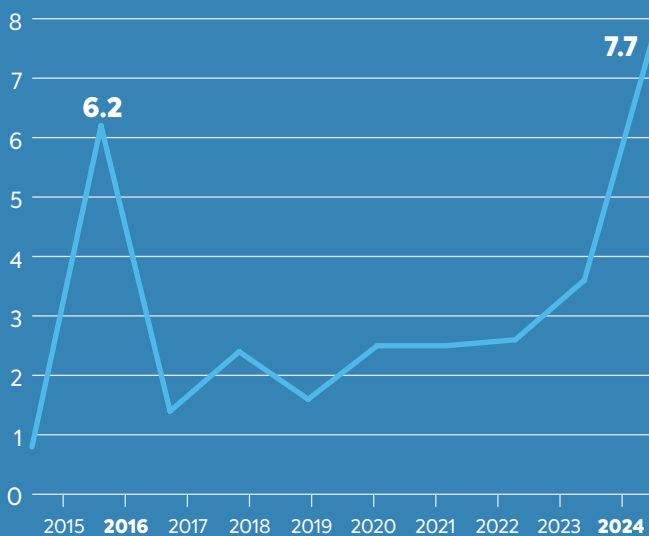
While the stabilization in insurance rates offers immediate financial benefits to property owners and managers, it also raises important considerations regarding long-term health and sustainability. Property managers should work closely with their respective BFL CANADA counterparts to ensure that their coverage remains adequate, even as premiums decline. Additionally, they should be mindful that broader economic conditions, including factors such as inflation and rising construction costs, delays in repairs, and rebuilds, could eventually put upward pressure on insurance rates.

The increase in frequency and severity of extreme weather events underscore the importance of robust risk management practices to mitigate damage and protect assets. Proactive measures, such as regular maintenance of roofs and windows, investing in storm-resistant materials, and ensuring up-to-date property appraisals, are essential for reducing the extent of storm damage.

Catastrophic Losses In Canada

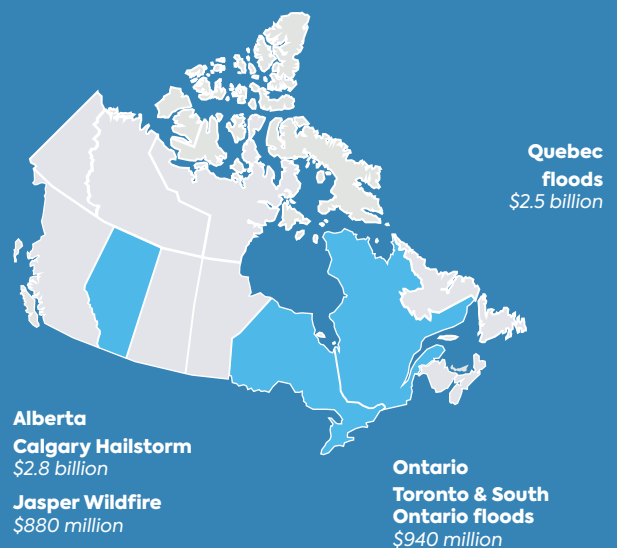
Catastrophe Losses 2015–2024 (\$ billion)

2024 is the costliest loss year on record.



Catastrophic Losses in 2024

Notable severe weather events.



Source: Summer 2024 shatters records for severe weather damage: Over \$7 billion in insured losses from floods, fires and hailstorms, September 2024, ibc.ca

Assessing Future Trends

Looking ahead to 2025, the Canadian insurance market will be shaped by a combination of ongoing trends, emerging risks, and an evolving economic landscape. The capacity expansion among insurers is expected to sustain a competitive environment, potentially keeping rates of premiums stable and encouraging further innovation in product offerings. Climate change will increasingly influence the market, as the frequency and severity of natural disasters and conventional storms rise, leading to more claims and possibly higher premiums in vulnerable areas.

Technological advancements, particularly in risk modeling and artificial intelligence, will continue to evolve, enabling more precise underwriting and customized insurance products. The regulatory landscape may also see changes, focusing on transparency, deductible assessment, and the requirement for depreciation reports. Economic factors, such as continued inflationary pressures and rising construction costs, could eventually lead to a reversal of the current trend of decreasing premiums.

While the current developments of the Canadian insurance market offer several benefits to policyholders in the residential realty sector in 2024, it is essential to consider the long-term implications and sustainability of these trends. By staying informed and working closely with their BFL CANADA Insurance Professional, property managers can navigate this evolving landscape and protect their assets for the future.

Key Takeaways

-  **Listening to our Customers** - Condo boards and council members are seeking a return to more predictable market rates, and BFL CANADA is listening and working to do as much as it can to help stabilize rates.
-  **Increased Underwriting Capacity** - The Canadian realty insurance market has seen a significant transformation in 2024, marked by an increased underwriting capacity which allows it to take on risk without becoming insolvent in the event of a high level of claims. This is due to new entrants and the expansion of existing insurers, leading to heightened competition and more favourable terms for policyholders.
-  **Stabilizing Insurance Rates** - Insurance rates have stabilized due to factors like reduced claims, advancements in risk modeling, and increased competition among insurers.
-  **Impact of Severe Weather** - Conventional storms, particularly in regions like Toronto, Montreal, and Calgary, have become more frequent and severe. A tally of all catastrophe events in 2024 so far is \$7.6 billion - indicating this year will be the highest loss year on record.¹
-  **Looking Forward** - The outlook for 2025 suggests sustained competition and capacity expansion among insurers, potentially keeping premiums low. However, climate change, technological advancements, and economic factors like inflation and rising construction costs could influence future insurance premiums.

¹ <https://www.canadianunderwriter.ca/sg24de/>

² Severe Weather in 2023 Caused Over \$3.1 Billion in Insured Damage, Insurance Bureau of Canada, ibc.ca

³ Insights into the impact of extreme weather trends in Canada on homeowners insurance profitability and consumers, www150.statcan.gc.ca

⁴ <https://www.canadianunderwriter.ca/catastrophes/quebec-flooding-raises-2024-natcat-losses-to-7-6-billion-1004250551/>