



# A Coming-Of-Age Year: CATs Get Fierce

CAT losses in Canada last year put the country in a league with many other western industrialized nations that face multi-billion-dollar claims years on a regular basis.



**Glenn McGillivray**  
Managing Director,  
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Loss Reduction

**N**ot all that long ago, it was a challenge to weave a discussion about severe weather into this piece. Sure, every once in a while there would be a large event to review, like the 1994 Calgary hailstorm or the 1998 ice storm. But events like those were few and far between, and usually became a mere footnote to a larger piece dominated by issues such as Ontario auto (go figure!).

It has, however, been a lot easier to write about severe weather losses since 2009, as Canadian insurers have paid out at least \$1 billion in claims each year since then (and in a few cases, more, like the \$1.7 billion paid out in 2011).

In the case of 2013, it has become really easy to weave severe weather into this article. Indeed, severe weather absolutely has to be front-and-centre in this year's overview, it just has to.

In November 2012, as Canadian insurers were set to pay out on the fourth consecutive year of billion-dollar catastrophe losses, the Institute for Catastrophic Loss Reduction (ICLR) went on record as saying that large-loss years are the “new normal” for Canada. Though ICLR did caution that while we would not see billion-dollar years every year, we made the point that large-loss years are no longer the rarities they were just a few years ago.

Then came 2013, not a \$1-billion year — or a \$1.7-billion year — but a \$3.2-billion year.

From 2009 to 2013 inclusive, Canadian insurers have paid out a total of \$7.7 billion in claims for severe weather events of \$25 million insured or higher. The figure does not include so-called ‘mini-cats’ — those events costing less than \$25 million — nor does it include small isolated claims from severe weather. These events could easily add at least another billion dollars onto the pile each year, though there is no single source of good data on such losses.

**The numbers — “Not a good year”**

According to the Insurance Bureau of Canada’s (IBC) Gregor Robinson at Swiss Re’s 29th Annual Canadian Insurance Outlook Breakfast held in Toronto March 27, weather hit the Canadian property & casualty sector hard in 2013.

It should be no surprise that the year’s record losses from severe weather had a major impact on property lines, Robinson noted, reporting that personal property claims grew by 31%, and the loss ratio went from 58% to 73%. For commercial property, claims grew by 31%, and the loss ratio went from 62% to 77%.

Taking away reserve releases from prior years — which almost always come from Ontario auto — he pointed out that 2013’s underwriting gain of \$250 million becomes a loss of more than \$900 million.

“Despite a difficult year, the MCT (minimum capital test) rose to 240.6% from 237.3%” which, he noted, “demonstrates the continuing resiliency and capital strength of the Canadian property and casualty industry.”

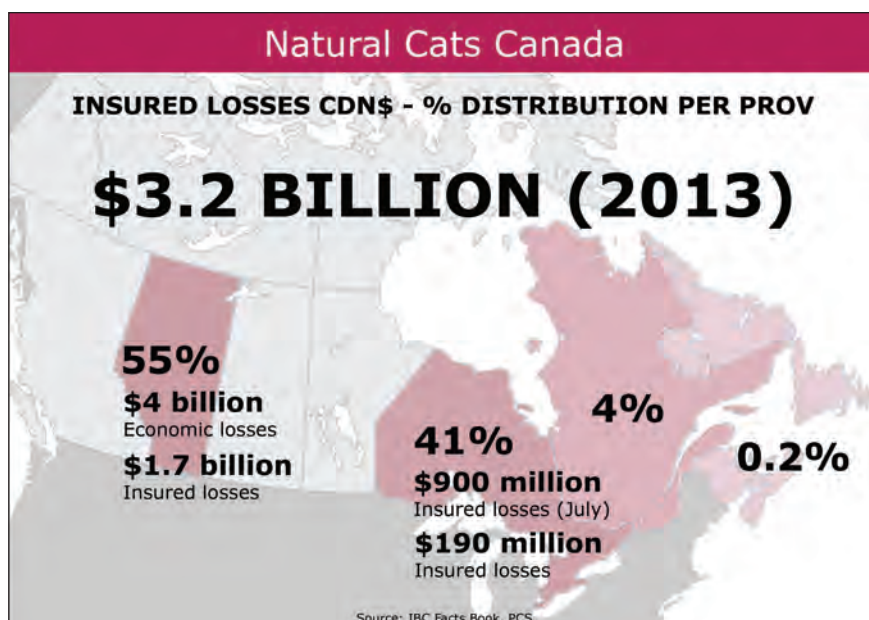
Overall, the loss ratio was up by more than three points over 2012, to 68.3% from 64.9%, and the combined ratio rose almost four points from the year prior, to 99% from 95.4%. The industry’s return on investment (ROI) fell to 3.2% from 4%, and its return on equity (ROE) fell to 6.6% from 10.7%.

In MSA Research Inc.’s 2013 Year End Review, Joel Baker wrote: “The industry and every sector within it was adversely impacted by...cats with the overall industry just eking out a narrow underwriting profit of \$285 million, down from \$1.8 billion in 2012. On an accident year basis, however, the industry suffered an underwriting loss of \$2.3 billion in 2013, which translates into an unpleasant AY combined ratio of 104.8. The low interest [rate] environment continued to do its work — driving yields and investment income for most. Of course, there were winners and losers but in aggregate it was not a good year.”

On the personal and multiline side,



**“The industry and every sector within it was adversely impacted by... cats with the overall industry just eking out a narrow underwriting profit of \$285 million, down from \$1.8 billion in 2012.”**



## Case 1752



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Baker noted that “writers swung to an underwriting loss at year-end with a combined ratio of 101.5, up from 97.9 in 2012 as net claims incurred increased 8.4% while DPW went up 3.5%.”

On the commercial side “writers (excluding Lloyd’s) continued on their very tepid growth path — showing a 2.2% increase in DPW and a similar increase in net claims incurred (a larger increase was seen in gross claims incurred indicating that reinsurance programs took the edge off the severe losses, particularly in Calgary).”

On a direct basis, he noted that “commercial writers reported an Alberta property DLR of 160% (up from 39% in 2012) while their Ontario property DLR increased to 73.1% from 56.4% in 2012. Their underwriting profit narrowed by 42% causing their 2013 COR to climb to 96.2 (or 106.7 on an accident year basis). The message here is that soft/flat commercial pricing coupled with rock bottom interest rates are taking a toll and, without a turnaround in the market, commercial insurers as a group will be relegated to single digit ROEs.”

In the Property and Casualty Insurance Compensation Corporation’s (PACICC) yearly overview of the market, it remarked that while property — both homeowners’ and commercial — have traditionally been healthy products with associated low solvency risks, this has changed in recent years.

“There are several homeowners’ insurance markets across Canada where claims costs are higher than 70% per premium dollar collected. At current interest rates, these markets would be unprofitable for insurers and represent a drain on capital. It is not uncommon for any single province or territory to experience a bad year. However, PACICC’s analysis found that five provinces and two territories have had five bad years in a row — and that may suggest deeper problems in the marketplace.

Interprovincial differences in homeowners claims paid have been driven by more large storms causing damage in the Prairies and in Atlantic Canada. In Alberta, the average loss ratio for homeowners insurance for the past five years has been 106.9%. In Saskatchewan, the ratio is 87.3%. In New Brunswick, the loss ratio over the past five years is 83.0%.”

On the commercial side, PACICC notes that results are similar: “In Alberta, the five-year loss ratio for commercial property is 92.2%. In Nova Scotia, it is 78.1%. In Newfoundland and Labrador, it is 76.0%. These sustained high loss ratios are eroding the capital base of insurers operating primarily in these markets.”

Of the worsening results in both personal and commercial property, PACICC noted that property insurance is changing with weather-related (water and wind) claims costs increasing as a proportion of total property claims. “The problem is not that catastrophic losses occur; rather,

it is that insurers are not accurately assessing and measuring the costs associated with severe weather risks.”

### Ontario auto — a “clear and present danger”

Representing a very significant quarter of all p&c premiums written in Canada — and a product that perpetually seems to be somewhere other than where it should be — Ontario auto always deserves a separate section all its own.

Of the segment, MSA’s Baker offers: “While cats drew everyone’s attention in 2013, the unsettled Ontario auto market is a clear and present danger for personal lines writers as the mandated 15% rollback sets in. While loss ratios improved slightly over 2012 — they are still worryingly close to 80%. The accident benefit (AB) honeymoon of 2012 seems to have ended, though bodily injury (BI) losses have come down. The same cannot be said for physical damage claims, given the very rough winter and ice storm at the end of 2013. Not a good starting point for the rollback. A similar picture can be seen when looking at private passenger results (which exclude commercial auto and trucking). Alberta private passenger auto loss ratios, on the other hand, continued their alarming upward trajectory; another file that has to be closely watched.”

Always good for a few constructive comments on the product, industry claims stalwart Jim Cameron, President of Cameron & Associates, says: “Ontario auto continues to plague insurers. The long-awaited solution to the backlog of mediations has taken place. Many cases have been resolved but, as expected, a substantial backlog moved to the arbitration phase. This is much more costly and time-consuming for insurers and claimants alike. FSCO has again sought assistance from the private sector to deal with these, and insurers have been ramping up their in-house legal

departments to address the pressure that this will put on the system.”

Cameron continues: “In the interim, key decisions on items like the Minor Injury Guideline (MIG) are still in a holding pattern. Insurers are having success in keeping their claims in the MIG in a majority of cases but as the cases mature, the percentage of claims handled in the MIG may start to

fall below the guidelines suggested by FSCO. The rate decreases mandated by the Ontario government are under way and the industry is on track to achieve the 15% average premium rollback within the next year. The downward pressure on rates is felt while loss costs, particularly in BI claims, are on the increase. Throw in a snap election and all bets are off. The



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standing committees are all disbanded and the fear is that many of the initiatives that were perceived as positive, such as the fraud detention measures, may ultimately die. On the commercial lines side, insurers are rebounding from the Calgary and Toronto catastrophes, and hope to restore profitability in a very competitive marketplace. The courts in Ontario have advocated more use of summary judgments, which may speed up resolution of cases without a full blown trial.”

#### The reinsurance side

The 20 entities that filed their results with the Reinsurance Research Council (RRC) reported assumed premium of \$2.2 billion in 2013, with an underwriting result of \$13.2 million. Total investment income came in at \$232.3 million for after-tax income of \$160.8 million. The group reported a total loss ratio of 69.8% and an expense ratio of 29.1% for a combined ratio of 99.2%.

Of the sector, Baker noted, “Reinsurers operating in Canada, as expected, had a rough year in 2013, driving their collective ROEs to 5.5% and their combined ratio precariously

**“There is no concerted effort on the part of any insurer or reinsurer to aggressively push for more rates and this is why most accounts are being renewed as is. Some accounts are being renewed with small rate decreases.”**

close to breakeven. Claims were up significantly while net earned premium barely budgeted. While the Canadian reinsurance market experienced an unspectacular year, the global reinsurance industry benefited from a relatively benign cat year and yielded a healthy double-digit ROE. Such a globally quiet year cannot be guaranteed to repeat itself again in 2014.”

On the facultative casualty side, as observed by one underwriter, “Once again, as with 2012, not much has changed. Primary and facultative reinsurance casualty rates are still flat, in most cases. Where a rate increase is obtained,

it is typically small and in the range of 1% to 5%. Capacity remains very plentiful and is keeping the marketplace very soft and very competitive. There is no concerted effort on the part of any insurer or reinsurer to aggressively push for more rates and this is why most accounts are being renewed as is. Some accounts are being renewed with small rate decreases. The U.S. insurance and reinsurance marketplace is quite similar to ours, with flat rates being most common, although, it is far more likely in the U.S. than in Canada that you will see a more significant rate increase, especially on accounts with poor loss experience. The difference is that, in Canada, on accounts with poor loss experience, there is no guarantee of a rate increase. I do not foresee any changes in our marketplace in 2014. Again, the market is very competitive with plenty of capacity for every type of casualty risk.”

Though not a property specialist, the underwriter offers: “From what I can see, property is not faring much better than casualty. There are many accounts being renewed flat. Although, on the property side, on those accounts with poor loss experience, it is much more likely compared

to a casualty account that there will be a rate increase, especially after the severe property flood losses of 2013, which largely did not impact the casualty marketplace.”

Once upon a time, total global reinsurance capacity was quoted at somewhere in the \$125-billion range. This number had remained stable for a number of years. However, with the relatively recent advent of non-traditional reinsurance, including such critics as cat bonds, index-linked securities, swaps, sidecars and others, Aon Benfield now reports total global reinsurance capacity at \$540 billion.

This is largely why some large global reinsurers are talking of a permanently soft global reinsurance market.

#### In the courts

In the February/March 2014 issue of *Claims Canada* magazine, Christopher Dunn and Josiah MacQuarrie of

**“This is largely why some large global reinsurers are talking of a permanently soft global reinsurance market.”**

Dutton Brock, LLP provided a very useful and concise run-down of the Top Ten coverage decisions from 2013 of interest to insurers (see *Top 10 Insurance Decisions: Some of the coverage-related cases that adjusters and claims professionals should know about from 2013*).

They open with this: “After a lively 2012, insurers saw a relatively quiet year at the Supreme Court of Canada in 2013. Picking up the slack was the

Ontario Court of Appeal, which rendered a number of significant decisions in the area of directors and officers liability, homeowners coverage and commercial general liability coverage.”

Dunn and MacQuarrie’s Top Ten include the following:

- 1) *Goodyear Canada Inc. v. American International Cos.*, June 13, 2013, Ontario Court of Appeal;
- 2) *Bawden v. Wawanese Mutual Insurance Company*, November 26, 2013, Ontario Court of Appeal;
- 3) *Onex Corp. v. American Home Assurance Co.*, February 25, 2013, Ontario Court of Appeal, leave to appeal to S.C.C. denied;
- 4) *Sam’s Auto Wrecking Co. v. Lombard General Insurance Co. of Canada*, March 28, 2013, Ontario Court of Appeal;
- 5) *Dominion of Canada General Insurance Company v. Hannam*, May 24, 2013,

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Newfoundland Court of Appeal, leave to appeal to S.C.C. denied;

- 6) *Boyce v. The Co-Operators General Insurance Company*, May 8, 2013, Ontario Court of Appeal;
- 7) *Turpin v. The Manufacturers Life Insurance Company*, June 17, 2013, British Columbia Court of Appeal;
- 8) *Aviva Insurance Company of Canada v. Lombard General Insurance Company of Canada*, June 20, 2013, Ontario Court of Appeal;
- 9) *ACE INA Insurance v. Associated Electric & Gas Services Limited*, November 14, 2013, Ontario Court of Appeal; and,
- 10) *Certain Underwriters at Lloyd's of London v. All Spec Home Inspections et al.*, November 19, 2013, Ontario Superior Court of Justice.

At least one common thread weaving through almost all of the top ten cases reviewed by Dunn and MacQuarrie involve issues surround-

ing policy wordings, in particular as they apply to exclusions.

The full *Claims Canada* article can be viewed at <http://bit.ly/toptendecisions2013>

### Severe weather

In what essentially amounts to a “coming-of-age” year for Canada, a string of severe weather events — ending with a major ice storm — conspired to ensure that Canadian property and casualty insurers will pay out catastrophe claims that amount to almost double the previous worst year.

With ever-increasing concentrations of values — mostly in large cities — the worsening condition of public infrastructure, and more frequent and larger weather-related events, it seems that each year brings new top entries for the record books.

Of particular note in Canada last year are the following:

- the country experienced its costliest

ever, and third costliest ever, insured loss events within a few weeks of one other — the southern Alberta floods and the July 8 Toronto and area rainstorm event;

- though it took 15 years, the 1998 ice storm is now the second costliest event in Canadian history;
- Canada experienced two billion-dollar natural catastrophes in one year — a first;
- the previous second place event — the Slave Lake wildfire — fell not one, but two notches to fourth place; and
- 2013 marked the fifth consecutive year of billion-dollar insured loss events for Canadian insurers.

In this space last year, I wrote: “So, with four consecutive billion-dollar loss years under our belt, the question, of course, is whether we’ll make it five. We’ll have to wait out the year to find out.”

We all now know how 2013 played out.

# Restoration Industry





The question now is: Are we going to make it six billion-dollar years in a row?

### Looking forward — “a turn of the weather”

In 2013, severe weather, in particular the extensive flooding in southern Alberta, threw a huge wet blanket over industry performance (though Ontario auto also continued to play a role).

But according to IBC’s Robinson, there are several signs of economic

resurgence — both globally and nationally — that are positive for the p&c industry. Signs include improving U.S. fiscal and economic trends; indications that Europe is moving out of recession; growth in emerging economies; and continued low interest rates.

Of interest rates, however, Robinson offered a qualification: “For our industry, that’s both good and bad. On the one hand, it’s an ongoing drag on return on investment — we’ve seen that for some time now. On the other hand, low interest rates

**“With ever-increasing concentrations of values — mostly in large cities — the worsening condition of public infrastructure, and more frequent and larger weather-related events, it seems that each year brings new top entries for the record books.”**

encourage consumer spending, fueling premium growth across all lines.”

He noted that Canada’s gross domestic product (GDP) grew by 2% in 2013, with growth for 2014 and 2015 expected to be 2.5%.

“Stronger GDP growth generally means stronger demand for p&c products. So next year, we expect to see momentum in premium volume and take-up rates across most lines. And on top of that, Canada’s inflation rate remains low at 1.1%, which helps contain claims costs.”

Easy monetary conditions and low inflation are expected to continue well into 2015, Robinson said, noting that stronger growth inevitably means interest rates will rise. Again, he offered a qualification: “This is a double-edged sword for our industry: it produces higher yields, but, of course, reduces the value of bonds held.”

He noted that a spike in medium and long-term Canada bond rates in spring 2013 reduced bond prices and spurred “an industry-wide loss in asset value of almost \$800 million, resulting in comprehensive return on investment falling from 3.9% in 2012 to 3% last year.”

The outlook, though, is that rates will rise gradually. “This is ideal for our industry, because it allows time



to adjust portfolios to higher yields and lower bond prices — without a shock to investment performance.”

Robinson ended his recent presentation with a warning that while there is steadily improving performance on the financial side as economies pull out of

the downslide that began in 2008-09, 2013 provided a clear reminder of how quickly things can change. “What it tells us is that even with a positive economic outlook, it only takes a turn of the weather for our industry’s performance to be undermined.”

**The homeowners product going forward**

In the above discussion, I have isolated a number of challenge areas for the industry going forward. And even where the news is more upbeat, several items have been prefaced with warnings and qualifications.

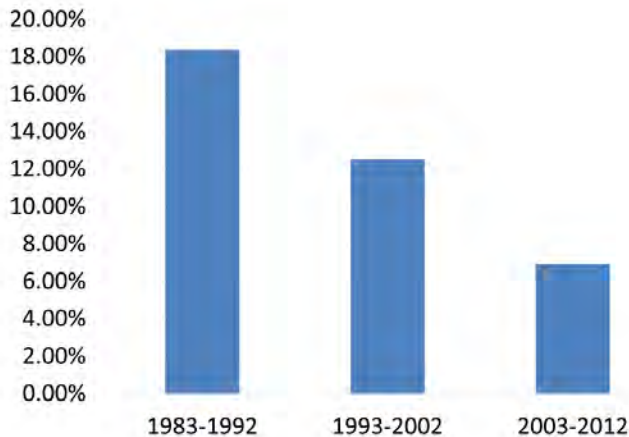
There is one underlying trend, however, that needs to be brought to the fore — one that may prove to be the most disconcerting over all other problem areas noted above: The homeowners insurance product in Canada may no longer be the reliable, stable income source that it used to be, and without action, it may never return to the place where it once was.

According to a PACICC/ICLR analysis (see Figure 1), the gap in loss ratios between the almost always volatile, difficult-to-manage auto product and the almost always stable and profitable homeowners product has been steadily shrinking since the 1980s, going from an average of around 18% down to around 6%.

This should be worrisome to Canadian personal lines writers, as they may no longer be able to rely on the homeowners product to buffer results that are often hit hard by the auto side. This could prove to be a sea change for many carriers.

**“The homeowners insurance product in Canada may no longer be the reliable, stable income source that used to be, and without action, it may never return to the place where it once was.”**

**FIGURE 1: AVG. DIFFERENCE BETWEEN LOSS RATIOS (AUTO VS. PERSONAL PROPERTY)**



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(Continued on Page 42)

## How The Private Companies Rank (Total Business) N.P.W. (Excluding Life & Purely A&S Companies)

	% of Market	2013 N.P.W.	2012 N.P.W.	% Change
1. Intact Financial Corporation.....	15.68	6,790,103,000	6,290,072,000	7.95
2. Aviva Canada Inc .....	8.37	3,622,441,000	3,437,983,000	5.37
3. TD Insurance, General Insurance .....	6.56	2,839,453,000	2,646,002,000	7.31
4. RSA Canada Group .....	6.44	2,790,693,000	2,507,328,000	11.30
5. Lloyd's Underwriters .....	5.54	2,396,862,000	2,093,962,000	14.47
6. Co-operators General Insurance Co .....	4.84	2,095,955,000	2,023,203,000	3.60
7. Desjardins General Insurance Group.....	4.79	2,073,475,000	1,944,721,000	6.62
8. Wawanesa Mutual Insurance.....	4.68	2,027,851,000	2,083,019,000	-2.65
9. Economical Insurance.....	4.17	1,803,586,000	1,723,656,000	4.64
10. State Farm Insurance Company .....	4.12	1,784,388,000	1,842,450,000	-3.15
11. The Dominion, Part Of Travelers Canada .....	2.73	1,183,620,000	1,206,918,000	-1.93
12. Allstate Insurance Co of Canada .....	2.65	1,147,475,000	1,041,006,000	10.23
13. Northbridge Financial Corporation .....	2.45	1,062,111,000	950,054,000	11.79
14. Zurich Insurance Company Ltd .....	1.60	693,440,000	641,825,000	8.04
15. Chubb Insurance Co of Canada .....	1.37	593,601,000	605,175,000	-1.91
16. AIG Insurance Co Of Canada .....	1.36	587,332,000	539,317,000	8.90
17. La Capitale Assurances Gen Inc.....	1.30	562,202,000	516,810,000	8.78
18. RBC General Insurance .....	1.30	561,552,000	537,307,000	4.51
19. Ontario Mutual Insurance .....	1.27	551,716,000	539,580,000	2.25
20. SGI Canada Group .....	1.21	522,181,000	496,707,000	5.13
21. RBC Insurance Company Of Canada.....	0.78	336,705,000	400,871,000	-16.01
22. Gore Mutual Insurance Company.....	0.73	318,238,000	315,846,000	0.76
23. Munich Reinsurance Cda Group .....	0.71	309,522,000	301,255,000	2.74
24. Guarantee Company Of North America.....	0.67	290,599,000	282,395,000	2.91
25. CNA Canada.....	0.66	284,229,000	281,226,000	1.07
26. Alberta Motor Association .....	0.64	279,218,000	260,653,000	7.12
27. Travelers Canada.....	0.60	257,801,000	267,840,000	-3.75
28. Factory Mutual Insurance Company.....	0.54	234,019,000	241,168,000	-2.96
29. Hannover Ruck SE.....	0.50	216,646,000	177,277,000	22.21
30. Pembridge Insurance Company .....	0.49	211,009,000	179,190,000	17.76
31. SSQ, Societe D'Assurances Gen.....	0.47	203,094,000	191,925,000	5.82
32. CAA Insurance Company (Ontario).....	0.46	197,246,000	183,875,000	7.27
33. Portage La Prairie Mutual .....	0.45	194,516,000	187,023,000	4.01
34. Liberty Mutual Insurance .....	0.38	162,727,000	128,892,000	26.25
35. SCOR Canada Reinsurance .....	0.37	160,353,000	151,456,000	5.87
36. L'Unique Assurances Generales.....	0.36	157,494,000	141,302,000	11.46
37. Echelon General Insurance .....	0.36	157,008,000	166,409,000	-5.65
38. Industrielle Alliance Compagnie .....	0.36	156,188,000	271,618,000	-42.50
39. Swiss Reinsurance Group .....	0.34	147,072,000	142,567,000	3.16
40. Allianz Global Risks US.....	0.34	146,034,000	174,385,000	-16.26
41. Farm Mutual Reinsurance Plan.....	0.31	135,476,000	141,183,000	-4.04
42. Promutuel Reassurance.....	0.31	132,747,000	126,102,000	5.27
43. Canadian Direct Insurance .....	0.30	130,516,000	125,410,000	4.07
44. Peace Hills General Insurance .....	0.29	124,159,000	117,582,000	5.59
45. ACE INA Insurance .....	0.27	118,318,000	220,896,000	-46.44
46. Optimum General Inc.....	0.26	111,639,000	105,195,000	6.13
47. Lawyers' Professional Indemnity .....	0.25	106,150,000	104,777,000	1.31
48. FCT .....	0.22	97,406,000	102,271,000	-4.76
49. Unica Insurance .....	0.22	93,495,000	88,030,000	6.21
50. Cumis General Insurance.....	0.21	92,931,000	92,205,000	0.79
51. Boiler Inspection & Insurance Company .....	0.21	92,206,000	87,794,000	5.03
52. Affiliated FM Insurance .....	0.21	91,687,000	97,600,000	-6.06
53. Stewart Title Guaranty Company.....	0.21	91,548,000	91,741,000	-0.21
54. Pafco Insurance Company .....	0.21	91,226,000	99,033,000	-7.88
55. XL Insurance .....	0.21	90,246,000	90,416,000	-0.19
56. Partner Reinsurance Company of the U.S.....	0.21	90,214,000	107,478,000	-16.06

(Continued On Page 44)

Immediate reactions by the industry to return the product to stability and profitably, particularly after the back-to-back water losses in Alberta and Toronto last year, are understandable, but worrisome.

Many carriers are now resorting to sublimits, particularly on sewer back-up. Sublimits have been around for some time, rattling around in the toolboxes of many a carrier for years, so are not anything new.

More disconcerting, however, is a report in Thomson's *World Insurance News* that some carriers are "decoupling" or "unbundling: all-perils residential policies, assigning deductibles and sublimits according to peril – namely wind, hail and sewer backup (see Regulators may look into unbundling, May 14, 2014).

According to the report, Intact and Wawanesa are "among those introducing separate endorsements for sewer back-up, wind or hail cover." The article says that Colin Brown, chief operating officer of Canadian Direct Insurance, "recently told Thomson's his company will likely follow suit by the fall."

In Thomson's December 2013 look ahead on the year to come, Wawanesa president and CEO Ken McCrea predicted the industry would look to "decoupling" risks as an alternative to continued rate increases. Noted the piece: "The industry will move, and is moving, to decouple the property product — separate out wind and hail, separate out sewer back-up coverages more than ever, have separate premiums on them, separate deductibles, separate coverage limits," McCrea said. "The perils are not the same. You'll have to offer those things separately and price them according to the costs."

This trend is worrisome on several fronts, not least being the pushback that surely will come from insureds, consumer groups and media once the issue gets out there.

Other concerns include the fear that in an attempt to get their own costs down, insureds will opt for bare-

## How The Private Companies Rank (Total Business) N.P.W. (Excluding Life & Purely A&S Companies)

	% of Market	2013 N.P.W.	2012 N.P.W.	% Change
57. Transatlantic Reinsurance .....	0.20	84,998,000	103,318,000	-17.73
58. Odyssey Reinsurance Company .....	0.19	83,650,000	83,937,000	-0.34
59. North Waterloo Farmers Mutual .....	0.18	77,979,000	74,375,000	4.85
60. Red River Mutual .....	0.16	68,698,000	65,394,000	5.05
61. XL Re America Inc – Cdn Branch .....	0.16	67,217,000	61,102,000	10.01
62. Everest Reinsurance Company .....	0.14	62,495,000	68,359,000	-8.58
63. Old Republic Insurance Company .....	0.14	60,520,000	55,801,000	8.46
64. Wynward Insurance Group .....	0.13	58,090,000	50,748,000	14.47
65. Trisura Guarantee Insurance.....	0.13	55,502,000	46,334,000	19.79
66. Motors Insurance Corporation.....	0.13	54,983,000	56,008,000	-1.83
67. Saskatchewan Mutual Insurance.....	0.12	51,616,000	51,300,000	0.62
68. Western Financial Insurance.....	0.11	46,008,000	41,747,000	10.21
69. Berkley Insurance Company.....	0.10	44,715,000	43,244,000	3.40
70. General Reinsurance Corp.....	0.10	44,358,000	50,283,000	-11.78
71. Toa Reinsurance Co of America.....	0.10	43,956,000	46,345,000	-5.15
72. Mutual Fire Insurance Co of BC .....	0.10	43,918,000	38,336,000	14.56
73. Great American Insurance .....	0.10	41,219,000	41,545,000	-0.78
74. Triton Insurance.....	0.09	40,874,000	44,424,000	-7.99
75. Caisse Centrale De Reassurance .....	0.09	39,467,000	48,931,000	-19.34
76. Ontario School Board's Insurance.....	0.09	37,093,000	35,934,000	3.23
77. Co-operative Hail Ins Co Ltd.....	0.08	34,021,000	32,861,000	3.53
78. Le Groupe Estrie-Richelieu.....	0.07	32,025,000	32,735,000	-2.17
79. Tokio Marine & Nichido Fire.....	0.07	29,422,000	27,303,000	7.76
80. Chicago Title.....	0.06	26,027,000	0	0.00
81. Associated Electric & Gas Insurance.....	0.05	22,245,000	16,821,000	32.25
82. Omega General Insurance.....	0.05	20,222,000	17,927,000	12.80
83. Mitsui Sumitomo Insurance .....	0.05	20,029,000	24,182,000	-17.17
84. Arch Insurance (Canada) .....	0.04	17,956,000	82,729,000	-78.30
85. PEI Mutual Insurance Company .....	0.04	16,306,000	15,621,000	4.39
86. Sirius America Insurance .....	0.04	15,925,000	14,846,000	7.27
87. MAPFRE Re Compania De Re, S.A. ....	0.04	15,271,000	16,571,000	-7.85
88. Munich Reinsurance America, Inc. ....	0.03	14,109,000	11,756,000	20.02
89. Western Surety Company.....	0.03	13,500,000	13,038,000	3.54
90. Hartford Fire Insurance.....	0.03	12,247,000	11,793,000	3.85
91. Aspen Insurance UK Limited .....	0.03	12,053,000	9,013,000	33.73
92. Legacy General Insurance .....	0.03	10,929,000	12,082,000	-9.54
93. Federal Insurance Company.....	0.03	10,870,000	12,807,000	-15.12
94. Euler Hermes North America Insurance.....	0.02	9,751,000	12,252,000	-20.41
95. Mennonite Mutual Fire Insurance .....	0.02	7,955,000	7,019,000	13.34
96. The Mearie Group.....	0.02	7,768,000	5,768,000	34.67
97. American Road Insurance Company.....	0.02	7,417,000	6,697,000	10.75
98. Kings Mutual Insurance Company.....	0.02	6,992,000	6,573,000	6.37
99. Sompo Japan Insurance Inc.....	0.01	5,660,000	5,379,000	5.22
100. Pacific Coast Fishermen's Mutual Marine....	0.01	5,470,000	5,470,000	0.00
101. Everest Insurance Co of Canada.....	0.01	4,774,000	4,401,000	8.48
102. Antigonish Farmers' Mutual.....	0.01	4,388,000	4,294,000	2.19
103. Atradius Credit Insurance N.V .....	0.01	3,727,000	4,087,000	-8.81
104. Fundy Mutual Insurance .....	0.01	2,403,000	2,400,000	0.13
105. Clare Mutual Insurance Company .....	0.00	1,872,000	1,113,000	68.19
106. Protective Insurance Company .....	0.00	1,818,000	1,244,000	46.14
107. Nipponkoa Insurance Co Ltd.....	0.00	1,214,000	1,066,000	13.88
108. T.H.E. Insurance Company.....	0.00	548,000	160,000	242.50
109. Alea (Bermuda) Ltd .....	0.00	62,000	44,000	40.91
110. Corepointe Insurance .....	0.00	43,000	52,000	-17.31
<b>TOTALS .....</b>		<b>43,302,094,000</b>	<b>41,439,550,000</b>	

bones coverage, leaving them exposed. Also, capping losses at a low amount may make it difficult to encourage homeowners to implement mitigation measures. Further, such a move could invite regulation of the segment.

The trend toward larger and more frequent severe weather events has changed, and will likely continue to change the business of property and casualty insurance to a fairly great degree.

And we likely ain't seen nothin' yet.

So the problem is that low caps now may lead to even lower caps in the years to come, as the trend to more and larger catastrophe losses further grabs hold. This may then lead to unavailability of certain coverages in the future as the situation worsens. Caps may not be a long-term solution, particularly as they tend to increase the gap between insured and economic damage, a chasm that many players — such as governments and reinsurers — are trying to narrow, not broaden.

The current environment has made the homeowners product in Canada unsustainable, and things must change.

However, it would be good for insurers to remember that they are in the business of placing risk on their balance sheets for the right price. They are not in the business of not placing risk on their balance sheets for no price.

