HK HENDERSON

NAVACORD®

MARKETPLACE INSIGHTS

Abundant Capacity

DECEMBER | 2025

Local Touch. National Strength.™

“We’re still in a buyer-friendly market with lots of options for clients, but we need to be mindful not to sacrifice coverage and claims response for pricing.”

Danielle Gorst
National Practice Leader, Financial Lines, Navacord

Abundant Capacity

The second half of 2025 has seen insurers continue to vie for best-in-class clients in the commercial space. The soft market persists across most lines, and underwriters are bringing out all the “bells and whistles” to retain clients and attract new ones.

On the property side, however, even as clients experience flat or decreased rates or favourable terms, the high cost of labour and materials persists, dampening the opportunity for significant discounts. Market volatility, tariffs and global economic uncertainty are all contributing to supply chain disruptions and the potential for inflation.

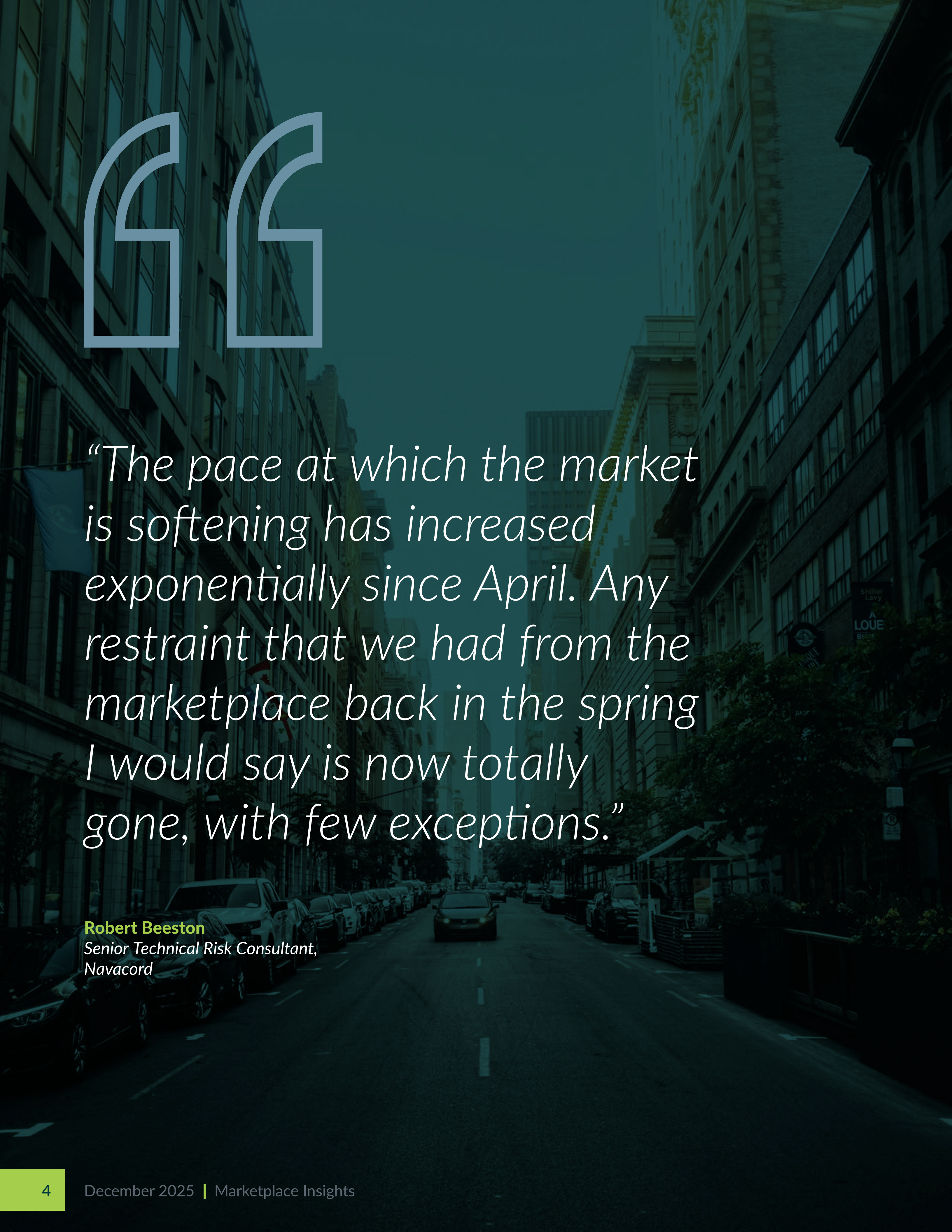
Personal and fleet auto clients, along with those in the transportation sector, are still pressed to find significant savings, even as premium percentages stay flat or decrease. Although auto theft has decreased in Ontario and Quebec with stricter enforcement, new criminal activity in Alberta and the Atlantic provinces is offsetting some of the gains. This sector is heavily impacted by U.S. tariffs on auto parts and aluminum, which will continue to drive up repair and replacement costs for both personal and commercial auto.

There is a growing appetite from insurers—both traditional domestic underwriters and new entrants—to move into or expand in the liability space, including directors and officers (D&O) liability. Brokers are keeping an eye on heightened employment practices liability (EPL) litigation, much of which is tied to return-to-office mandates. At the same time, economic instability has historically been a precursor to bankruptcies and slowdowns in mergers and acquisitions (M&A) activity, two things that can typically impact D&O claims’ activity. For now, rates and terms remain favourable for clients.

Cyber insurance has moved firmly into the mainstream, with ransomware and artificial intelligence (AI) deepfakes driving high frequency and severity of claims. As operating systems become more complex and technological, the opportunity for bad actors to disrupt businesses of all sizes is inevitable. Brokers must work with clients to prioritize cyber risk management and tap into the resources of specialized underwriters.

A renewed commitment from Lloyd’s to have syndicates underwrite energy and natural resource projects has revealed potential to find efficient insurance solutions in this space for the first time in years.

With competitive pricing and abundant capacity, clients have an opportunity to find savings and establish favourable terms for the future. The value of the broker cannot be overstated in this environment. Brokers must cut through the noise, as they discern between sourcing new opportunities for clients to find cost savings, while simultaneously seeking deep, specialized underwriting knowledge that will serve clients in the long-term.



"The pace at which the market is softening has increased exponentially since April. Any restraint that we had from the marketplace back in the spring I would say is now totally gone, with few exceptions."

Robert Beeston
Senior Technical Risk Consultant, Navacord

Commercial Lines

What to Expect

- **Increased capacity as insurers continue to be profitable**
- **Preferential treatment for companies demonstrating solid loss control and risk management practices**
- **Opportunities for favourable renewal terms as insurers compete for best-in-class clients**

The commercial insurance market continues to soften, with projections for reinsurance renewals supporting this as a continuing trend through 2026. This year has been less claim-heavy on the natural catastrophe side than previous years, and insurers are still making money.

Clients can expect to see flat or modestly decreased rates at renewal, even where claims records are not entirely clean or loss control elements haven't been addressed. It's important to keep in mind the cyclical market, however. The biggest long-term savings will be reserved for clients investing in risk mitigation, risk improvement and loss control.

With hefty competition from traditional insurers and the London market, there are ample opportunities to find favourable terms. Market competitiveness will be fuelled, at least for the foreseeable future, by new entrants and returnees to the Canadian marketplace led by Lloyd's.

Clients and brokers should scrutinize new capacity to ensure programs are backed by strong underwriting expertise, especially for lead property capacity, primary general liability, first layer umbrella casualty and any specialty lines.

Even as rates go down, however, property values and replacement values continue to rise amid a persistently tight labour market, increasing cost of materials and ongoing supply chain disruptions, including from tariffs.

With tariffs and economic volatility, clients may not see significant savings overall. Those that are saving on

premium are holding onto it, rather than reinvesting, as businesses operate with tighter margins.

Commercial Auto

Both individually rated commercial auto (IRCA) and fleet remain competitive, though not to the same degree as other lines. Renewal rates have a high degree of regional variability due to regulatory environments.

Expect big changes to auto insurance in Ontario next year: as of July 2026, consumers will be able to select from an “a la carte” model of coverage.

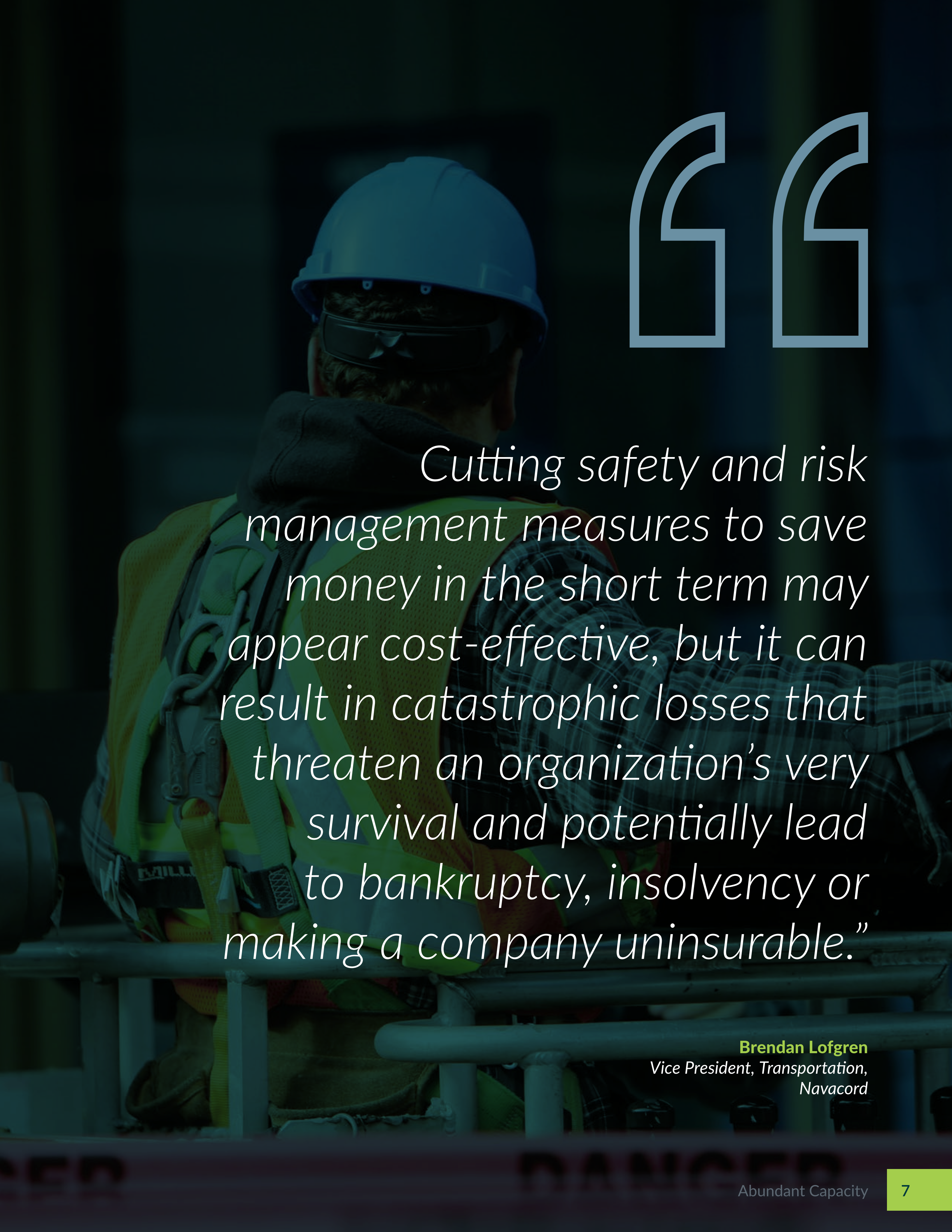
Risk Mitigation

DATA AND ANALYTICS

Data and analytics, fuelled by AI, will become increasingly prominent in underwriting systems and at the client level. Clients and brokers must take advantage of the technology but also understand the limitations of automated risk management dashboards, systems and models.

TRANSACTIONAL RELATIONSHIPS

Beware of transactional relationships. The market cycle favours clients now, but with a volatile economy, businesses must be prepared for all eventualities. It may be tempting for businesses to look for cost savings, but it’s best to work with a broker to ensure liability and property coverages meet the needs of a company’s overall risk portfolio. The soft market is the time for brokers to prepare new capacity, communicate with clients and build solid relationships.



Cutting safety and risk management measures to save money in the short term may appear cost-effective, but it can result in catastrophic losses that threaten an organization's very survival and potentially lead to bankruptcy, insolvency or making a company uninsurable."

Brendan Lofgren
Vice President, Transportation, Navacord

SPOTLIGHT ON CONSTRUCTION

What to Expect

- **Rate decreases for almost all construction and contracting**
- **More appetite for hard-to-place classes**
- **Insurers boosting competition as they pursue unprecedented premium growth in soft market conditions**

Construction continues to be a favourable class for insurers. Overall, rates are expected to decrease for almost all construction and contracting, especially for general liability, contractors' equipment, and project coverage—both course of construction and wrap-up. Most new capacity is tied to expansion of appetite in the Lloyd's marketplace.

Even hard-to-place classes, such as wood frame and roofing, will see increased market availability, allowing them to benefit from reduced rates. The exception is clients in these categories who have unprotected risks, or those who cannot demonstrate active involvement in risk management practices. It may be tempting to self-insure by increasing deductibles, but it's recommended clients in these classes instead pay special attention to factors that alleviate risk.

The upper middle market will see the greatest rate relief overall, as new players focus their attention there, while small-to-medium-sized accounts and very large accounts may only see modest rate relief.

Construction-related environmental and professional lines have seen new market entrants, which is pushing carriers toward flat renewals or small decreases.

Carrier consolidation continues to impact both insurance and surety lines. It's been a busy time with the recent acquisition of Travelers' Canadian (non-surety) business, SGI Canada's surety book acquisition by Western Surety, and the earlier acquisition of Echelon's surety book by MGA Revau.

Fighting for Market Share

Rate and premium growth expectations from all carriers are confusingly similar given the soft market conditions. Most markets we've spoken to seem to be chasing total premium growth in the high single-digit range. They can't all expect profit growth when rates aren't moving. Short of an aggressive new business approach that almost entirely displaces one or more current competitors, it's difficult to see how this will play out. Rely on a specialized broker to navigate the market.

"In a soft market, the broker's role is to recognize changes coming in the market before they happen, use the time to prepare new capacity and services to exceed their clients' expectations, communicate with their clients in advance, and build relationships that last through both the ups and downs in the market cycle."

Robert Beeston
Senior Technical Risk Consultant, Navacord

Insurers Remain Profitable

Insurers use the Combined Operating Ratio (COR) to measure profitability. A ratio below 100% is indicative of underwriting profit. Note, the COR does not take into account investment income but is purely based on profit from underwriting.

Source: State of Commercial Lines, Q2 2025, MSA Research

COMMERCIAL WRITERS	COMBINED OPERATING RATIO (COR)
AIG Insurance Company of Canada	**94.31**
Allianz Global Risks US Insurance Company	**87.29**
Aviva Group	**96.25**
Chubb Canada Group	**85.63**
Continental Casualty Company	**92.43**
Definity Insurance Company	**94.01**
FM Global - Group	**52.85**
Intact Financial Group	**95.09**
Liberty Mutual Insurance Company	**82.07**
Lloyd's Underwriters	**61.92**
Northbridge Financial Corporation	**89.51**
Travelers - Group	**97.85**
XL - Group	**90.63**
Zurich Insurance Company Ltd.	**93.12**

“The transportation sector is not an area of insurance where there’s a large amount of capacity or appetite from standard insurance markets, so the market is not as soft as you would see in other areas of property and casualty.”

Brendan Lofgren
Vice President, Transportation, Navacord

SPOTLIGHT ON TRANSPORTATION

What to Expect

- **Rate increases on renewals**
- **Insurer focus on risk mitigation around safety and regulatory compliance**
- **Increased need for large-limit liability or excess cover**

Unlike the general market, transportation is not seeing significant rate relief. Underlying drivers of persistent inflation, litigation trends, rising claims and repair costs, and emerging cyber and environmental liabilities keep pressure on casualty and high-limit coverages—especially for fleets with poor loss histories.

Most transportation and fleet clients continue to see rate increases at renewal depending on their risk profile and performance. There are pockets of relief for well-run fleets, which may only see moderate increases as insurers compete for their business.

Tariff-driven volatility, shifting freight patterns, rising operating costs, and stricter regulations are all leading to tighter margins for operators. Companies that will survive the uncertainty are those that continue to invest in safety, risk management and smarter long-term planning.

Liability

Although the London market has a good appetite for excess liability, there is ongoing upward pressure on large-limit liability and excess cover. Accidents on highways involving tractor trailers involve large liability claims. Canadian operators crossing into the U.S. face an increasingly litigious environment, which can lead to “nuclear verdicts” in the form of higher jury awards. Social inflation—or public perception—adds to the pressure of reputational risk.

Well-run fleets with strong controls and acceptable exposures are getting more favourable renewal outcomes.

Reinsurance

Expect reinsurer discipline to keep some upward pricing pressure on casualty-heavy lines, such as commercial auto liability and umbrella coverage, even if property pricing eases. Following severe catastrophe cycles, reinsurance pricing and capacity recovered in many areas, but market segmentation persists. Catastrophe reinsurance has softened in pockets, but liability and attritional loss protection remain under closer scrutiny, particularly in this sector.

Captives

Fleet operators are paying double or even ten times more premium for liability and excess than they were a decade ago. With traditional limited capacity from standard domestic insurers, larger companies are increasingly looking to captives as a means of managing risk.

Emerging Risks in Transportation

1. **Litigation outcomes** have increased severity for auto liability and excess, and remain the strongest single driver of higher limits pricing.
2. **Heightened frequency and sophistication of cyber attacks** cause business interruption for carriers and their logistics and supply chain partners, contributing to an escalation of claims.
3. **Claims inflation** continues, with parts shortages, labour cost inflation and high-value technology increasing replacement and repair costs.
4. **Environmental and pollution exposures** are subject to higher cleanup costs and increased regulatory scrutiny.
5. **Regulatory and economic volatility**, including interest rates, inflation and jurisdictional litigation.

Risk Mitigation

MAINTAIN SAFETY AND COMPLIANCE STAFF OR CONTRACTORS

When times are tight, trucking companies look to eliminate these positions, not seeing them as vital to day-to-day operations. But in a heightened risk environment, it's essential to have experts monitoring fleet and driver safety.

PRIORITIZE VEHICLE MAINTENANCE

With the cost of maintenance, parts and tires increasing, there is evidence that some may run tires longer than normal or otherwise take shortcuts on maintenance cycles. Short-term savings could have catastrophic results, however, if fleets aren't maintained properly.

WORK WITH YOUR BROKER

Brokers can help identify areas where you may be leaving your business vulnerable to risk, based on the trends and scrutiny of insurers. Best-in-class companies that include safety, compliance and risk mitigation into long-term strategic planning are getting some reprieve from large increases at renewal.

“Lloyd’s renewed interest to underwrite traditional energy risks could add more ‘fossil fuel’ to the soft market fire.”

Geoff Cowling
National Practice Leader, Energy, Utilities & Resources, Navacord

Energy, Utilities and Resources

What to Expect

- **Increase in capacity for traditional energy risks**
- **Growth in integrated power and datacentre projects**
- **Ongoing soft market**

The traditional energy sector, more than most, has faced a persistently restrictive market, with insurance capital and underwriting discipline increasingly influenced by environmental, social, and governance (ESG) imperatives over the past decade. Insurers and reinsurers have faced pressure — from investors, regulators, and civil society — to reduce exposure to upstream fossil fuel projects, coal, oil sands, and Arctic exploration.

In mid-2025, some reprieve has come from Lloyd's of London. The newly appointed CEO, Patrick Tiernan, signaled his intention to grant insurers greater flexibility in underwriting fossil fuel risks. In a public interview, Tiernan said that Lloyd's will defer to "the energy mix that the government of [a] jurisdiction chooses" and stressed the market's "apolitical" stance.

This is a reversal from Lloyd's 2020 commitment for its managing agents and syndicates to cease providing new coverage for thermal coal, oil sands, and Arctic exploration starting January 1, 2022, and phase out renewals of existing exposures by 2030.

As a leader in energy capacity, the Lloyd's repositioning could be a signal for syndicates to expand or (re)enter the traditional energy market in Canada. The caveat, however, is that individual syndicates remain accountable to their capital providers—many of whom have made ESG commitments that could constrain growth.

What to Watch — Power and Data Centres

There's a new player in the power sector, as data centre developers seek to vertically integrate their power generation or secure dedicated power supplies. This follows explosive growth in cryptocurrency mining and AI, which has fueled a rapid expansion of data centres and proposals across Canada (and the US). More than just building capacity, power availability, reliability, and cost are constraints for expansion. Tech companies are increasingly purchasing plants or building their own to power their data centre projects.

Although insurers are gaining a clearer understanding of data centre exposures, they tend to distinguish between facilities supporting cryptocurrency operations and those dedicated to AI. This includes property coverage.

As markets look to diversify and capture new income streams, competing for market share, we are beginning to see this stance soften.

"Anytime you have economic uncertainty, clients are looking for ways to save rather than spend. Investing in captives and reducing insurance fixed costs is one way to do that."

Patrick Ferguson
Vice President, Captive and Analytics, Navacord

Captives and Alternative Risk

What to Expect

- **Companies looking to captives to reduce fixed costs**
- **Heightened interest in Alberta as a domestic captive option**

Memories of the last hard insurance market persist in many quarters. In the current dynamic market, businesses focused on long-term planning are looking to captives and alternative risk management solutions to buffer against a potential downturn and find cost savings.

Tariff volatility continues to exert bottom-line pressure on many Canadian companies, putting the spotlight on fixed costs, including insurance. Clients exploring ways to reduce this expense see captives and alternative risk structures as mechanisms to reduce insurance costs by self-retaining risk versus buying it from the marketplace.

Interest in Alberta as a captive insurance domicile is increasing. The cost and preparation time to set up a captive in Alberta is lower than for offshore. While offshore captives have traditionally been in the sights of larger companies, we're now seeing more middle-market organizations proactively looking into these alternative risk structures within Canada. Favourable regulations are quickly making Alberta the domicile captive market of choice for Canadian companies, especially for private and mid-market organizations.

“Although D&O remains competitive, insurers are looking for companies to display a high level of diligence and planning for financial sustainability due to the impact of potential economic volatility. Demonstrating strong disclosure and transparency from the board and management team will continue to be a key underwriting expectation during uncertain financial and cross-border cycles.”

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

Directors and Officers Liability

What to Expect

- **Heightened frequency and severity of employment practices liability (EPL) claims**
- **Ongoing competitive market for primary and excess layers**
- **Increased scrutiny of financials and governance**

The directors and officers (D&O) insurance market remains competitive in both the primary and excess layers. London brokers and syndicates have been aggressively looking at Canada for growth opportunities. As insurers continue to be profitable in this space, and with increased competition, clients can expect to see favourable premium and terms at renewal.

With ample additional capacity, insurers are attempting to create competitive advantages by increasing or adding first dollar sub-limits within D&O policies and other "bells and whistles" to demonstrate differentiation in coverage. Clients who want to take advantage of superior rates and terms should expect underwriters to scrutinize financials and governance practices that consider stock volatility due to tariffs, trade disputes and other economic headwinds.

An increasing number of insurers are looking to low-attachment layers, where premiums are greater. Clients may see less enthusiasm for high excess layers, where premiums have hit minimums and may fall below underwriters' actuarial comfort zones, reducing premium flexibility here.

Employment Practices Liability

With back-to-office mandates on the rise, litigation involving employment practices liability (EPL) has increased. Most EPL cases are still driven by common wrongful dismissal claims leading to frequent indemnity or notice payouts. Insurers continue to demand minimum deductible and rate requirements, especially for clients with large employee exposures in the U.S., a more litigious environment.

Mergers and Acquisitions

Historically, more than half of all D&O claims are driven by merger and acquisitions (M&A) activity. Although it's been quieter than expected in 2025, this is an area we will continue to monitor as we start to see the full economic impact of tariffs, inflation and global volatility on the financial markets. Further, it's anticipated there could be more D&O claims related to bankruptcies—covering outstanding employee wages, taxes owing and other debts—as the economy remains unstable.

Risk Mitigation

EDUCATION ON EMPLOYMENT PRACTICES LIABILITY

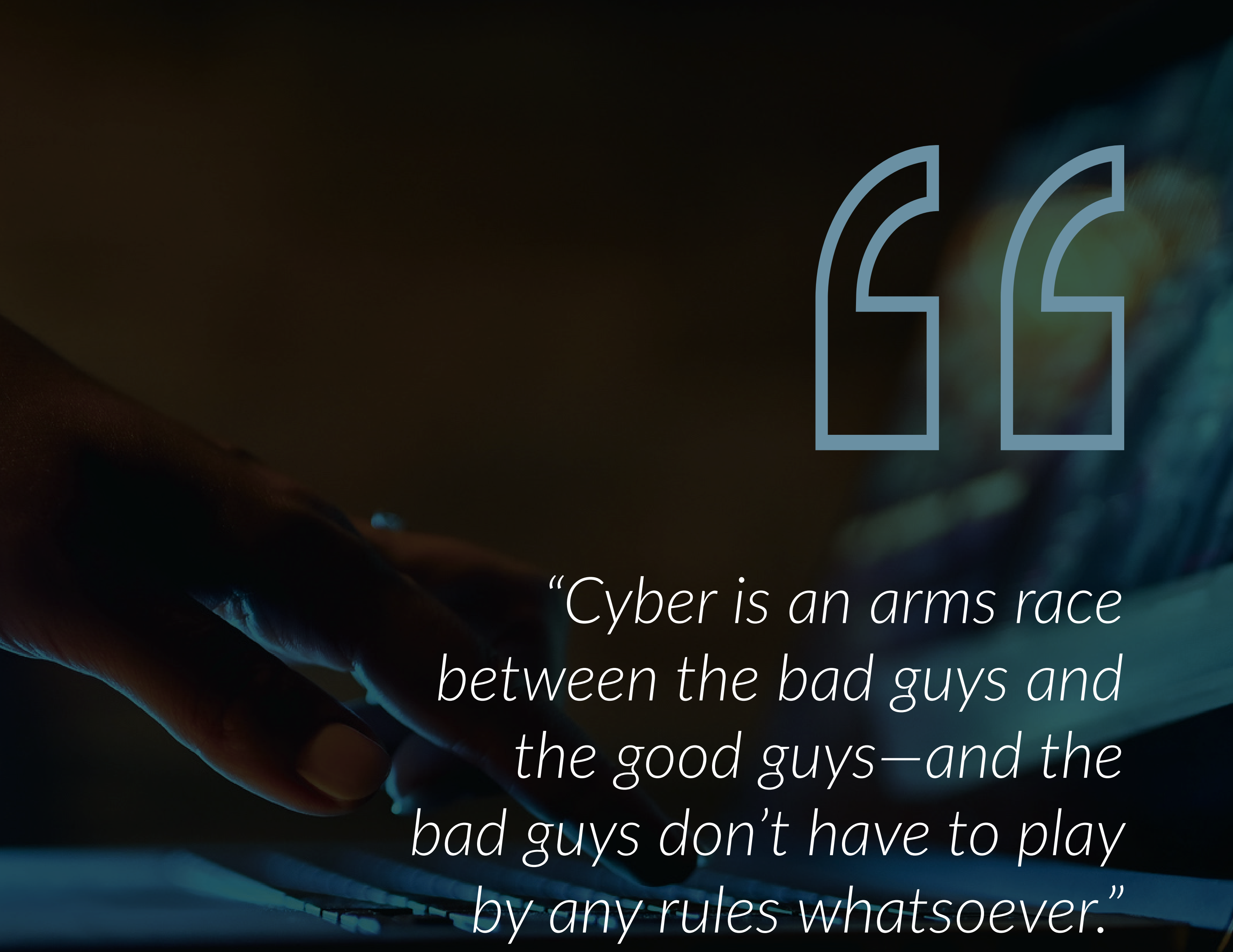
To mitigate risk as EPL cases become more prevalent, companies need sound human resources practices, including updated employee handbooks and frequent communications to transparently disclose not only the rules, but also the reason behind office mandates.

TRANSPARENCY WITH SHAREHOLDERS

We're seeing companies shy away from providing financial guidance or specific targets to shareholders, who are increasingly using "missed revenue targets" as leverage for litigation. Boards and management must be open with shareholders about how they're hedging and managing risk, to mitigate against D&O claims around failure to disclose or late disclosure.

TAKE CYBER THREATS SERIOUSLY

With advances in AI and increasing frequency and severity of attacks, strategic level oversight and compliance are critical. Boards and the C-suite should be actively involved in mitigating risk, including demonstrating diligence in their oversight of the use of AI within their organization and anticipating areas of potential vulnerability.



"Cyber is an arms race between the bad guys and the good guys—and the bad guys don't have to play by any rules whatsoever."

Patrick Bourk
Vice President, Cyber and Professional Lines, Navacord

SPOTLIGHT ON CYBER

What to Expect

- **Increased insurance capacity with new entrants and alternative capital**
- **Advances in generative AI leading to an increase in deepfake attacks**
- **Demand for C-suite and board-level awareness around cyber risk**

In 2025, no one is immune to cyber threats. According to the Canadian Centre for Cyber Security, threats have become increasingly “complex and sophisticated” with state adversaries and ransomware-as-a-service (RaaS) the primary drivers. The Business Council of Canada notes that, in 2023, one in six businesses was hit by a cyberattack, with “Canadian businesses [spending] an estimated $12.2 billion to detect, prevent, and recover” from these incidents.

Five insurers make up 76% of the Canadian cyber insurance market, with Lloyd’s holding the majority share. An influx of new entrants, alternative capital and increased product availability, however, has increased capacity in this space. Several insurers have introduced new policy wordings with improved, innovative terms, resulting in broader access for many buyers, moving cyber into the mainstream of commercial products.

Ransomware

Ransomware and wire fraud dominate cyber insurance claims, with attacks fueled by criminal groups deploying increasingly aggressive extortion tactics. Canadians are faced with the dual challenge of protecting critical systems from crippling ransomware events, while safeguarding financial operations against social engineering and payment fraud schemes.

AI Deepfakes

Companies are taking advantage of artificial intelligence to monitor and mitigate risk. But advances in generative AI also amplify

the capabilities of malicious actors to produce even just a few seconds of convincing audio, video or image content with minimal effort to create credible deepfakes. These are leveraged for broad disinformation campaigns, highly targeted social engineering and fraud schemes.

As trust in digital and visual media erodes, the reputational, operational and regulatory stakes for Canadian organizations rise sharply.

Operational Technology

Threat actors are increasingly shifting their attention to operational technology (OT), the hardware and software systems controlling physical operations. Primary targets are supply chains or service providers—indirect paths to disrupt critical infrastructure. Canadian organizations face a complex mix of safety, availability, and reputational risk when OT is compromised. Aging control systems, the convergence of IT/OT networks for "smart" building development and critical infrastructure, and changes to the Canadian regulatory environment elevate the risk environment and put the onus on businesses to have enhanced risk mitigation practices in place.

Insurers continue to expect a certain level of network security strength. Insureds should still expect continued emphasis on pre-bind assessments, multifactor authentication, segmentation, backup testing, and incident-response readiness to secure positive terms. Insurers and reinsurers are watching loss trends closely; if severity or correlated accumulation jumps again, pricing and capacity could tighten quickly, so continuous risk improvement will remain the most reliable path to affordable, robust cover.

Source: Business Council of Canada: ("It's Time for Canada to Fight Back Against the Ransomware Epidemic," 2023.)

Risk Mitigation

BEYOND THE CHECKLIST OF EMPLOYEE TRAINING

An estimated three-quarters or more of cyber attacks are triggered by employees clicking on something they shouldn't. Despite gains in employee awareness training, too many businesses are treating it as a checklist item. Employee engagement in cyber security needs to be continuous and rigorously monitored and measured.

ENGAGE YOUR SPECIALIST BROKER

Small companies may not have an army of IT security professionals at their disposal. Your broker can work with insurance companies and other resources to assess and enhance your risk profile.

ENGAGE THE C-SUITE

As cyber threats ascend to the strategic agenda, tailored C-suite and board-level awareness training around cyber risk must be elevated. There continues to be a disconnect between leadership and Chief Information Security Officers' perceptions of readiness and investment. Training must be tied into discussions around strategic risk and revisited regularly to reflect evolving threats. Cyber security as part of corporate culture must cascade from the top down.

FOCUS ON NETWORK SECURITY

Insurers expect emphasis on pre-bind assessments, multifactor authentication, segmentation, back-up testing and incident response readiness to secure positive terms.

"If you operate a pipeline, mine, plant or well, you need to get serious about cyber security—now. Alberta's new regulation, in line with Canadian standards, demands critical infrastructure operators to build a full-fledged cybersecurity stronghold alongside their physical security. Work with your broker partner to understand cyber risks and how to defend against them."

Patrick Bourk
Vice President, Cyber and Professional Lines, Navacord

SPOTLIGHT ON ALBERTA

Demand for Robust Cybersecurity Risk Management

In May, the Alberta government enacted new regulations for infrastructure companies to protect them in the event of a "terrorist activity," with heightened focus on cybersecurity risk management practices.

The Security Management for Critical Infrastructure Regulation stipulates rules relating to personnel, physical and information security, which have long been top of mind for risk managers.

It also includes an in-depth cybersecurity section, outlining risk control practices for infrastructure firms and giving the Alberta Energy Regulator sweeping authority to audit risk management programs for compliance.

Who's Impacted?

The Alberta regulations reflect the fourth edition of the CSA standard Z246.1, updated in 2021, which outlines protocols for security management programs for the petroleum and natural gas industry. Critical infrastructure firms within the Alberta guidelines include wells, processing plants, pipelines, mines and mining operations, and in situ operations (such as drilling wells for bitumen in the oil sands).

Compliancy Requirements

These companies will be expected to implement and maintain robust cybersecurity protocols that not only encompass traditional information technology but also industrial control systems, reflective of the heightened risk of AI-generated attacks on operations.

Penalties

Those who are non-compliant with the new legislation may be mandated to develop a security program or cease operations.

Risk Mitigation

WORK WITH YOUR BROKER PARTNER

Clients can work with their broker partner to develop a robust cybersecurity risk management program that considers updates to required policies, inventory of hardware and software assets, sound network segmentation practices, employee training, intrusion detection, and more.

NEW SOLUTIONS IN CYBER INSURANCE

As more entrants make their way into the cybersecurity and energy underwriting markets, there is ample opportunity for clients to establish or enhance an insurance program that supports their broader risk management profile in the energy sector underpinned by broker and insurer expertise.

Contact Us

HK HENDERSON
Saskatoon
Regina
Moose Jaw

hkhenderson.ca
info@hkhenderson.ca
1.888.661.5959