

Definity Financial Corporation

Third Quarter 2024 Financial Results Conference Call

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to Definity Financial Corporation Third Quarter 2024 Financial Results Conference Call. At this time, note that all participant lines are in a listen-only mode.

Following the presentation, we will conduct a question-and-answer session.

And if at any time during this call you require immediate assistance, please press *, 0 for the Operator.

Also note that the call is being recorded on Friday, November 8, 2024.

I would now like to turn the call over to Mr. Dennis Westfall, Vice-President, Investor Relations. Please go ahead, sir.

Dennis Westfall — Vice-President, Investor Relations, Definity Financial Corporation

Thanks, Sylvie, and good morning, everyone. Thank you for joining us on the call today.

A link to our live webcast and background information for the call is posted on our website at definity.com under the Investors tab.

As a reminder, the slide presentation contains a disclaimer on forward-looking statements, which also applies to our discussion on the conference call.

Joining me today on the call are Rowan Saunders, President and CEO; Philip Mather, EVP and CFO; Paul MacDonald, EVP of Personal Insurance and Digital Channels; and Fabian Richenberger, EVP of Commercial Insurance and Insurance Operations.

We'll start with formal remarks from Rowan and Phil followed by a Q&A session where Paul and Fabian will also be available to answer your questions.

With that, I will ask Rowan to begin his remarks.

Rowan Saunders — President and Chief Executive Officer, Definity Financial Corporation

Thanks, Dennis, and good morning.

Last night, we reported third quarter earnings that reflect a resilient performance in an active catastrophe period for the industry. Wildfires, flooding, and storms across Canada reached historic levels this summer. As impacted customers and communities work to rebuild and recover, our robust catastrophe response capabilities again delivered outstanding support.

From a financial perspective, these events had a significant effect on our underwriting performance, representing more than 17-point impact to our combined ratio, well above our expectations.

Despite this, we delivered a solid underlying performance across all lines of business while benefitting from ongoing expense efficiencies, healthy levels of net investment income, and strong contributions from our insurance broker platform, all of which resulted in operating net income of \$14.6 million or \$0.13 per share.

The continued firming of conditions in auto, firm conditions in commercial insurance overall, and our strong broker proposition combined to generate significant growth momentum in the quarter as underlying gross written premiums increased by 12.2 percent.

On a reported basis, growth of 9.9 percent reflected the impact of the exited Sonnet Alberta personal auto business, which is now classified as an exited line.

Operating results again benefitted from growth in net investment income as interest income was driven by higher fixed income yields proactively captured within the portfolio.

Combined with ongoing contributions from our expanded broker distribution platform, our financial performance led to an operating ROE of 10.7 percent and robust book value per share growth of 17.9 percent from a year ago.

Turning to the industry outlook on Slide 6, we believe the operating environment remains favourable overall.

We expect conditions in auto lines to remain firm as insurers aim to keep pace with the combined impact of elevated theft, ongoing cost pressures, and regulatory constraints within Alberta.

We expect market conditions in personal property to harden following the 2024 summer storm season that resulted in more than \$7 billion of industry catastrophe losses, the expected move to higher reinsurance attachment points, and industry participants adjusting their risk appetites.

In commercial insurance, we expect the market to remain firm overall as carriers focus on ensuring long-term profitability. The increase in weather-related catastrophe events, elevated reinsurance costs, and rising attachment points are expected to prolong firm commercial lines market conditions and pricing, with the exception of some large and specialty segments.

Slide 7 shows our key financial targets for 2024. Despite an unprecedented level of catastrophe losses for the industry so far this year, strong top-line growth and resilient underwriting profitability position us in line with our targets after nine months.

This has increased our operating ROE into the double digits, reaching 10.7 percent for the past 12 months.

We are focused on continuing the progress made in the next couple of years with the objective to move towards the higher end of our target range before capital optimization.

Slide 8 illustrates the composition of our national broker platform. We have made great progress in the past two years to develop it into a vehicle to diversify and strengthen the earnings profile of the business with repeatable distribution income that complements our underwriting operations.

We expect continued M&A activity and the organic growth momentum of the business to result in \$1.5 billion of managed premiums in the next few years.

We continued our growth traction with several additional deals this year and have great confidence that we'll achieve our objective for 2024 operating income from this part of the business.

And with that, I'll turn the call over to our CFO, Phil Mather, to go through our results in more detail.

Philip Mather — Executive Vice-President and Chief Financial Officer, Definity Financial Corporation

Thanks, Rowan. I'll begin on Slide 10 with personal auto.

Adjusted for the exit of Sonnet Alberta auto, gross written premium growth remained strong, up 15.8 percent in the third quarter of 2024. The strength was again driven by a double-digit increase in written rates, unit count increases, and the benefit of portfolio transfer activity.

We expect our broker business to benefit from strong retention, portfolio transfers, and the inherent scalability of our Vyne platform; the combined impact of which should support a double-digit underlying pace of growth for the remainder of 2024.

We will continue pursuing additional rate and segmentation actions to maintain our target profitability.

As previously announced, we have removed Sonnet's personal auto business from Alberta from our operating results. Plus Vyne, this book, as an exited line, impacted growth in auto by 5.5 points in the third quarter.

Given the loss-making nature of Sonnet's Alberta auto book, withdrawing our business there reinforces our confidence for the remaining Sonnet portfolio to reach our run-rate breakeven target by the end of the year.

Personal auto generated a combined ratio of 98.3 percent in the quarter despite 4 points of CAT losses and a more normalized level of favourable prior-year claims development. The performance reflects an improvement in the core accident year claims ratio driven by higher earned rates; the benefits of our active expense management; and heightened, though declining, levels of theft.

Turning to personal property on Slide 11, the story this quarter is clearly one of catastrophe losses, which accounted for more than 46 points of our reported combined ratio of 124.9 percent.

That said, our CAT response teams, product design, and focus on accumulation management and risk selection enabled us to mitigate losses from the summer's events below what our market share would indicate.

In addition, the full utilization of our catastrophe aggregate reinsurance cover provided some support for our combined ratio.

Beyond CATs, ongoing actions to improve our underlying results are paying off as core accident year results improved 1.9 points from the third quarter of 2023.

This quarter's combined ratio also benefitted from expense management and higher favourable prior-year development, supported by 2023 CATs developing favourably.

These results give us the confidence to continue targeting a mid-90s percent combined ratio for the personal property line of business on an annual basis.

Turning to the top line, growth reached 6.9 percent in the quarter benefitting from ongoing fair market conditions driving increases in average written premiums. This was partially offset by continued

actions to address risk concentration in geographies with a higher propensity to peril events. We expect this line to grow at a mid-to-upper single-digit pace for the full year, given the firm pricing conditions prevalent in the industry.

Slide 12 outlines the highlights in the quarter for our commercial business as double-digit growth in commercial lines continued with gross written premiums up 12.6 percent versus the prior year. Strong growth momentum was driven by targeted growth across strategic segments with strong retention and rates achievement in a firm market environment in our core segments and further expansion of our small business and specialty capabilities.

We expect commercial insurance to generate low double-digit growth in 2024 as we continue to strive to grow at twice the pace of the industry.

As you can see, commercial lines delivered another robust bottom-line performance.

Results in the quarter benefitted from a continued focus on underwriting execution, with a strong combined ratio of 89.9 percent compared to 86.6 percent in Q3 of last year. The increase in the combined ratio was entirely driven by high catastrophe losses, which amounted to 8.8 points this quarter versus 4.2 points in Q3 of 2023. This was partially offset by higher favourable claims development and a decrease in the expense ratio.

We continue to operate our commercial insurance business with the intent to sustainably deliver an annual combined ratio in the low 90s.

Turning to Slide 13, consolidated premiums increased 12.2 percent, adjusted for the exit of Sonnet's Alberta auto.

The purposeful nature of our growth through our underwriting expertise, pricing strategies, and product expansion, along with a continued focus on expense management, helped buffer underwriting

results from 17.3 points of catastrophe losses. The resulting combined ratio was 103.4 percent, up less than a point from a year ago, despite nearly 4 points of additional CATs.

Our expense ratio of 28.9 percent was 0.7 points better than the prior year's very strong level as expenses once again benefitted from a few items.

First, our continued expense management initiatives combined with the benefits of increasing scale. We continue to benefit from the investments we've made to improve productivity along with our disciplined expense management.

Second, a structural reduction in commissions from the consolidation of our insurance broker platform benefitted the expense ratio by about half a point in both periods.

And lastly, the negative impact of the outsized catastrophe losses on our claims ratio had a corresponding favourable impact on expenses in the form of lower quarterly accruals for both variable compensation and contingent profit commissions.

Focusing on distribution income, the \$15.8 million was in line with our expectations and reflects the contributions from acquisitions combined with solid underlying organic growth, offset by a lower CPC income estimate.

As mentioned, the full impact from our national broker platform also includes the benefits of consolidated expenses in the form of a commission offset.

In aggregate, we maintain our full year target of \$75 million before finance costs, taxes, and minority interests.

Slide 14 highlights the components of our investment portfolio.

Our net investment income again increased in the quarter, up \$2.7 million from Q3 of '23, due to higher interest income from increased fixed income yields proactively captured within the portfolio.

Year over year, growth continues to slow as market yields have now fallen below book yields.

We maintain our expectation for full year net investment income to exceed \$190 million.

As you can see on Slide 15, our financial position remains robust with shareholder equity surpassing \$3 billion and nearly \$1.4 billion of financial capacity.

Operating income combined with recognized gains on bonds and common stocks drove growth in our capital in the third quarter and generated year-over-year growth in book value per share of nearly 18 percent.

Slide 16 shows recent capital management actions and longer-term priorities.

When it comes to deploying our capital, the primary focus remains in support of our robust organic growth strategy.

We also intend to continue growing our dividend over time.

With an objective to build the Company into a top-five player in the industry, we are actively pursuing inorganic growth including both insurance carriers and distributors.

Following our initial build of the broker platform via our partnership with McDougall, recent acquisitions have been more programmatic in nature. We expect this to continue and have successfully deployed over \$100 million year to date while maintaining a healthy pipeline.

Slide 17 illustrates the significant success we've had in our efforts to locate and distribute demutualization benefits to lost recipients.

While we saw a steady decline in the restricted cash amounts throughout our asset unification program, we saw a large uptick in people coming forward to claim benefits as the lost recipient deadline approached. An administrative processing period is now underway to confirm the identity of, and distribute benefits, if appropriate, to those claimants who contacted us prior to the deadline.

We estimate the ultimate uncashed amount will be at least \$150 million and, as a result, we'll be recording the amount, together with any associated tax provision, directly to retained earnings in the fourth quarter. After we have concluded our processing period, there may be some additional amounts unclaimed that will be recorded in 2025.

With that, I will turn the call back over to Rowan for some final remarks.

Rowan Saunders

Thanks, Phil.

This quarter again demonstrates that we have truly built a high-performing and capital-generative business with a winning culture.

We're an underwriting-first company at our core with deep expertise and relentless focus on assessing, pricing, and managing risk. Our portfolio is constructed intentionally as we work across multiple dimensions to optimize returns while minimizing the overall volatility of our operating results.

This is demonstrated by the fact that we're able to deliver a double-digit operating ROE despite historic levels of CAT losses this quarter.

As we've outlined before, we have three organic levers to improve our operating ROE toward the upper end of our target range. These include Sonnet achieving breakeven, expense optimization, and the transformation of our claims operations.

Beyond this, we require inorganic growth, which would allow us to deploy our excess capital and introduce leverage into the balance sheet, thereby enabling us to target a mid-teen level of returns.

As we approach the end of 2024, we continue to make progress on all of these organic levers and see an operating environment that is favourable to executing our ambitions and strategies.

And with that, I'll turn the call back to Dennis to begin the Q&A session.

Dennis Westfall

Thanks, Rowan.

Sylvie, we are now ready to take questions.

Q&A

Operator

Thank you, sir. Ladies and gentlemen, if you would like to ask a question, please press *, followed by 1 on your touch-tone phone. And if you would like to withdraw from the process, please press *, followed by 2. You will hear a tone prompt acknowledging when your hand has been raised. And if you're using a speakerphone, please lift the handset before pressing any keys. Go ahead and press *, 1 now if you have any questions.

And your first question will be from John Aiken at Jefferies. Please go ahead.

John Aiken — Jefferies

Good morning. Phil, in your prepared commentary around the expense ratio, you talked about the three buckets, a lot of it coming from the efficiency gains that you've been talking about. But there were still some unusual items that benefitted what I believe is probably the lowest number that we've seen.

Can you try to quantify what the impact in the quarter was from some of the items that were not sustainable, just in terms of a range or just where we can go from? Because I do expect to see a little bit of return at this stage in the game. But I'm a little bit unsure on how much we should be factoring in.

Philip Mather

Yeah. Thanks, John. So, the only item that we'd say is not sustainable, for a good reason, is the depression of the contingent profit commission costs and the incentive accruals because of the CAT losses. So, the underlying impact from the expense efficiencies that we've been making and the structural reduction coming from the acquisitions of the broker platform, those would be sustainable.

I think the way to look at it is, if you look at the full year view, you'll see the operating expense ratio is just around 12 percent. And we think that is a good view for the kind of underlying level at which we're operating right now. In the quarter alone, you saw that was more like 11 percent. So, I would say the underlying kind of position we're at now is around 12 percent.

If you look at the commission ratio, that's just above 14 percent. That's probably more like 15 percent on a run-rate basis because of the impact of the contingent profit commissions.

So now, going forward, our objective on the operating expense ratio is to try to drive that down a point on a sustainable basis over the next couple of years. So, we want to try and glide that down towards around the 11 percent level. And on the commission ratio overall, we'd actually like that to tick up a little bit because, obviously, we don't want to see sustained CAT losses as the mechanism to reduce the operating expense ratio.

So, the other comment I'd make is, if you look at the year-on-year improvements, you'll see that we're about one point better than this time last year. That, in our view, is fully supported by the sustainable actions that we've been taking to reduce the operating expense ratio. Q3 of last year also had big CAT losses, so that had the same kind of relative impact on CPCs and incentives. So, a good proxy for how much progress we've made is that underlying more-than-a-point improvement compared to this time last year.

John Aiken

Fantastic, Phil. That was way more detailed than I could have expected. I'll re-queue.

Operator

Thank you. Next question will be from Jaeme Gloyn at National Bank Financial. Please go ahead.

Jaeme Gloyn — National Bank Financial

Yeah. Good morning. I did want to just key in on the commercial insurance profile and growth in commercial insurance continuing to look pretty solid here. Can you talk to what you're seeing in that market specifically?

And as we hear other peers talk of slowdown in certain lines, it seems you guys are growing in that space and maybe improving your competitive decisions. So, a little more on that, please.

Fabian Richenberger — Executive Vice-President, Commercial Insurance & Insurance Operations, Definity Financial Corporation

Yeah. Thank you, Jaeme. This is Fabi Richenberger answering your question.

I think the big picture is that you're always pushing for more growth in a firm market environment and for more moderate growth when market conditions are less firm. Having said that because we're much in line with your comments, we still view commercial insurance as a very attractive segment, and we are happy to drive growth in that segment.

To give you a little more colour on your comment about the marketplace and we've become more competitive, indeed, we've seen a couple of segments, especially in the large accounts in the special segment, that have become more competitive, but our strong client teams have just done an incredible job mitigating that increased competition. And overall, we are really pleased with how we are executing our commercial business plans overall.

I think what I want to point out to you is the growth rate that we have achieved in Q3. As you've seen from our disclosures, the growth rate that we achieved in Q3 was 12.6 percent. And I think it is important to recognize it's about half of that growth rate is due to rate and inflation adjustments. And that gives us a great deal of confidence that we are covering the loss trend that we have in our portfolio, and with that, we believe that our guidance of low-90s combined ratios is still very sound as well.

I think the other area that gives us a lot of confidence in is the recognition that our commercial portfolio is skewed to the lower end of the commercial account size. So over 80 percent of our portfolios are in that premium band of below \$100,000. And given the fact that we have very strong digital capabilities in the space, given the fact that we have very strong service proposition in the space, that really mitigates the impact of price quite effectively. And again, that gives us additional confidence that we can continue to operate the commercial portfolio in that low 90s combined-ratio range.

And maybe the last point I want to add from my side, we have built a very strong, valuable position in our core strategic segments in small business, in middle market, and in specialties that is well supported by our brokers and our customers. And we continue to gain market share quite selectively.

In terms of a quick comment to close out my update, in terms of the market closeout look with a rate and inflation and loss trends normalizing, we do expect that the commercial marketplace will generate the growth rate in that mid-single-digit range going forward. But it's down from 9 percent or 10 percent as we've seen over the last couple of years. And that pretty much brings us to our guidance, and we are confident that we can continue to grow the commercial portfolio at twice the industry growth rate without compromising on our profitability thresholds. And that's very much a function of the strong team that we have in place and the strong underwriting capabilities that we filled across the commercial portfolio.

Jaeme Gloyn

Okay. Very good. And one more on distribution income. The guidance is still the same, but it looks like, unless Q4 is maybe seasonally weak, is what I should take away from this. It looks like you'd be perhaps above where that guidance is at this point. Maybe a little bit more colour as to why that guidance didn't maybe tick higher.

Philip Mather

Yeah. Thanks, Jaeme. Q4 is usually a little bit less than the middle couple of quarters because the level of premium activity is more subdued. Q1 and Q4, Q1's usually the lowest of the year and it's a little higher in Q2 and Q3, so that's an accurate statement.

I think the difference with this year is we're very pleased with the acquisition activity that we've seen, and we're very pleased with the underlying organic growth level of the business. It continues to perform very well in that regard.

But in just the same way as we've seen our contingent profit commission expense get a little bit more subdued because of the catastrophe losses, we've also reflected a bit more of a pessimistic estimate on the CPC income that the broker platform will receive. And you'll be aware that McDougall has got great presence in Ontario and has got great presence in Alberta, both of which experienced pretty widespread catastrophe losses in the quarter.

So, if I look at the overall mix of the \$75 million, I'd say we're really pleased with the level of acquisition traction, and we're really pleased with the underlying organic growth in the business. And then we've got the little bit of a headwind coming on the contingent profit commission expectations. That's why, overall, we get to the same kind of answer but with different moving parts within that.

Jaeme Gloyn

Yeah. That makes sense. Thank you.

Operator

Thank you. Next question will be from Mario Mendonca at TD Securities. Please go ahead.

Mario Mendonca — TD Securities

This might be best for Rowan or Phil. The market, we can all sort of make our minds up on this one, but it does appear that the market's on board with your strategy and your outlook for a meaningful improvement in the operating ROE over time. What would be helpful for me, at least, would be if you could be more precise on the timing. Like, when do you expect that sort of 12 percent, 13 percent, perhaps 14 percent ROEs? Is it something we could see in the next two years? Or is that a longer-term goal?

Philip Mather

Yeah. Thanks, Mario. I think in terms of the organic levers, what's important to comment on is that good progress is being made across all three levers. So, you're already seeing about a one-point underlying improvement on the expense ratio this year compared to last year. And as I say, we reckon there's about another point to come in terms of those operational improvements, and we're looking to glide to those over the next two-year period.

In terms of Sonnet, we're holding firm with our views that we'll get to breakeven on a run-rate basis for next year. So that is our target. And there has been an improving but still a drag on historic results. So, we should get ourselves to that breakeven point for next year. After that, we'll start to look to see do we continue to grow at a pace at a breakeven level. Or would we grow at a slower level and generate some additional margin.

And I think on the claims ratio, the claims transformation activity, good progress there, too, in that the implementation of the technology stack for auto was successfully done in Q2, but we're only at

the infancy really of seeing some of those benefits. We have the property stack to come. And by that regard, we're hoping to have that implemented by the end of next year. But then you'll see another 12 to 18 months of time before you'll start to harness the full efficiencies.

So, the way I'd put it is on the operating expense ratio, we're already kind of halfway there. We should glide down over the next couple of years. Sonnet, we look good in terms of getting to that breakeven level for next year, and then we'll see where that goes thereafter.

And claims ratio, I think, on the claims transformation activity have the longest pathway to run, and we should see kind of more full run-rate benefits in more the two to three-year time horizon. So that should give you a perspective.

We do expect to see continued progress in the operating ROEs when we look out next year. You'll see it a little subdued over the next couple of quarters because we're going to have to carry the tough CAT quarter that we've just experienced forward in the trailing 12 months for the next couple of quarters, and we've also got the big equity run up. But when you look out a year from now, the second half of next year, we'd expect to see continued improvements in those operating ROE run-rate levels.

Mario Mendonca

I tried to keep track of everything there keeping the basis points climbing as you went through it. It seems like what you're suggesting—and I clearly want to be corrected on this—but it seems like you're suggesting that in 2026, this could be a 12 percent ROE company. Does that seem a little too ambitious? Or is that about right?

Philip Mather

No. I think that's certainly what we'd aim to target. Touch wood, the CAT activity that we've seen doesn't continue at the levels that we've experienced, but I don't think that's an unreasonable objective.

Mario Mendonca

Okay. Thank you.

Operator

Thank you. Next question will be from Tom MacKinnon at BMO Capital Markets. Please go ahead.

Tom MacKinnon — BMO Capital Markets

Yeah. Thanks. Question about PYD. It seemed to be a little bit more favourable in the quarter than I think people were expecting. Was there anything that may have been driving that? If you could just kind of remind us again of your guidance for PYD and how you might think that could be trending just over the next 12 months or so. Thanks.

Philip Mather

Yeah. Thanks, Tom. So, if I look at the quarter itself, we were just about 2.3 percent, which was pretty much in line with where we were this time last year. And if I look on the full year to date, we're at 1.7 percent. So that's kind of bang smack in the middle of our kind of historic lens of the one to two-point range that we've seen over the period of time. So, you can get individual movements within the quarters.

We did get a little bit of additional support on favourable development coming out of the 2023 CAT losses. So, we've seen some support mainly in personal property, which is a little higher than we would normally anticipate, a little bit in commercial lines overall.

On the flip side, auto, I think, is more in line with a more normalized view. It's really the comparative there that's a little elevated. And we are just keeping an eye on some of the BI trends that we're seeing, particularly in terms of Alberta. So, you will get some moving pieces on a quarterly basis, but if I step back, big picture, we're very comfortable being in the middle of that one to two-point range for 2024 as a whole. No real surprises for us in the quarter. A little bit of support on property losses running

off favourably from this time last year in the quarter itself, but on an overall basis, I think that's pretty comfortable.

I think, looking forward, we don't give explicit guidance on the levels of developments, but what we would say is that historic trend we've seen of 1 percent to 2 percent of favourable development is a pretty decent representation of our philosophy and attitude toward reserving practices. And it's not seen any real change in our view in how we're approaching things.

Tom MacKinnon

Yeah. And a follow-up with respect to investment income. Now that market yields are below your book yields, I guess should we be looking at the yield on the portfolio compressing as we go forward? And the only driver really of improving investment income is really just new business growth, if you will.

Philip Mather

Yeah. I think that's a fair comment. I mean, it's hard to take a pick because the bond yields are pretty volatile at the moment. So, they're moving around up and down on a daily basis. And actually, since the end of the third quarter, we've seen those yields move back up closer to the book yield. But I think that's a fair comment.

Where we'd see the expansion opportunity on that investment income is more going to be around new cash flows coming into the portfolio overall. And I think our stance has shifted. In recent years, we were very front footed in terms of a yield kind of capture philosophy. And now it's fair to say we're more in a yield-preservation kind of mindset on how we're managing the portfolio overall. But we're still looking to see some of that positive cash flow come in and drive some upside opportunity as we look forward.

Tom MacKinnon

Okay. Thanks.

Philip Mather

No problem.

Operator

Once again, ladies and gentlemen, as a reminder, if you would like to ask a question, please press *, followed by 1 on your touch-tone phone.

Next will be Lemar Persaud at Cormark Securities. Please go ahead.

Lemar Persaud — Cormark Securities

Yeah. Maybe, Phil, I'm just wondering if I—just a point of clarification to start out here. Did I hear that Sonnet's expected to reach breakeven by the end of this year or next year?

Philip Mather

Thanks, Lemar. On a run-rate basis. We're not expecting it to hit profitability in the calendar year 2024. But our goal is that when we close out the year and we look at the portfolio that's in place that we have confidence that we project out to breakeven performance for the 2025 calendar year.

So, the goal for us is, as we're looking at that portfolio construction and what we think is the underlying performance and opportunity therein, is getting ourselves to a position at the end of this year that the look-forward is a run-rate breakeven.

Lemar Persaud

Okay. So, there wasn't a change then in the target for the breakeven. Okay.

Philip Mather

No.

Rowan Saunders

No change.

Philip Mather

But what I would say is that we've got good confidence that we're on the right trajectory there in terms of how things are coming together.

Lemar Persaud

Okay. Perfect. I want to move on to a different type of question here. So, I'm just wondering if you could talk about your thoughts on the upcoming reinsurance renewal season and how could that change your single event and aggregate covers because it sounds like, from the MD&A, that it could be a tougher renewal season.

Philip Mather

Yeah. Thanks. So, I mean what'd I'd say is we're still at a reasonably early stage of the renewal process, so it's a little early to be definitive. But discussions, so far, I think are constructive.

And I think there's a range of factors at play. I mean for sure Canada has seen a very substantial level of catastrophe activity in the current year, and that's translated to a pretty significant loss to the reinsurers. However, the backdrop to that is very good global reinsurance results overall and, also, a significant market correction that we saw a couple of years ago.

I think the other thing that's definitely important to note is that there's been a wide differentiation, we believe, in terms of the reinsurance experience on different primary carriers. So, if you look at our performance overall, aside from the aggregates recovery, which did trigger in the quarter, there's actually very little reinsurance recovery attaching on catastrophe losses. So, we've generated a good experience for our reinsurance partners, and we've really done that via the active control of the

gross losses. If you look at our attachment points, we're pretty well aligned with our peer groups. It's more been about how we've managed to mitigate it, the CAT loss experience.

And so, what I'd say is our expectation is you've got a number of moving parts there. We'd anticipate seeing more differentiation for the renewal process for those who've had a very good experience like we have versus those who've had very significant reinsurance recoveries. So, it'll be interesting to see how that plays out. But this year, I'd say there's more differentiation than you've seen historically, and we'd expect to see that kind of represented.

I think the steady march up on attachment points is going to continue. I don't see that trend kind of changing. Our aggregate cover expires this year, and we're still in the market to replace that cover. But it will depend on, is that a mutually agreeable outcome for kind of both parties.

So, there's a number of factors in play there, but we'll see how that goes. But we're obviously very pleased that we've been able to manage our CAT exposure very effectively this year. And that's really born out of very proactive actions taken over the past several years, a real focus on that. And that should assist us as we go through our renewal process.

Lemar Persaud

And the goal is to maintain the aggregate cover.

Philip Mather

Well, I think on that one, we'll have to see how that goes. I mean, obviously, it's been a three-year cover that's in place, and it's triggered each of the three years. You would not normally expect that to happen. But the timing of the acquisition was during what has been an elevated period of CAT activity. So, we have an appetite there. We like volatility protection, but it has to be on terms that are agreeable to both parties. So that's the decision we'll go through over the next couple of months.

Lemar Persaud

Appreciate the time.

Philip Mather

No problem.

Operator

Thank you. Again, ladies and gentlemen, should you wish to ask a question at this time, please press *, followed by 1 on your touch-tone phone.

And at this time, Mr. Westfall, it appears we have no questions registered, sir. Please proceed.

Dennis Westfall

Okay. Thank you, everyone, for participating today. The webcast will be archived on our website for one year. A telephone replay will be available at 2:00 p.m. today until November 15th. A transcript will be made available on our website.

Please note that our fourth quarter and year-end results for 2024 will be released on February 13th.

That concludes our conference call. Thank you and have a great day.

Operator

Thank you, sir. Ladies and gentlemen, this does indeed conclude your conference call for today. Once again, thank you for attending. At this time, we ask that you please disconnect your lines. Have a good weekend.