

September 21, 2026

Canada Property/Casualty: Strong Earnings and Improved Underwriting Results Underpin Stable Outlook

**Sustained
profitability
highlights
Canadian
P/C insurers'
resilience amid
evolving climate
and economic
challenges**

Principal Takeaways

- Canada's P/C insurance segment remains resilient, supported by strong capitalization, improved underwriting profitability, steady investment returns, and technological efficiencies.
- Climate-related catastrophes, personal auto pressures, economic uncertainty, and rising cyber threats remain key challenges to the industry's stability.

Canada's Non-Life Segment Outlook Remains Stable

AM Best is maintaining a Stable outlook for Canada's P/C insurance segment. The Stable outlook reflects sustained profitability in 2025 bolstered by improved underwriting performance from a moderation in catastrophe activity relative to the prior year and steady investment returns. The Stable outlook is further supported by the following factors:

- Strong capitalization and excess capital buffers continue to underpin earnings resilience, with 2025 catastrophe activity moderating from recent historical levels.
- Enhanced underwriting profitability was supported by pricing discipline, rate adequacy, easing inflation, and effective risk management.
- Steady investment returns were driven by elevated fixed income yields, despite interest rates largely stabilizing.
- Increased adoption of technology and data analytics is improving operating efficiency and supporting scalable growth.
- Sound regulatory framework supported by ongoing regulatory refinements and strong supervision.
- Continued access to reinsurance capacity.

Countering these positives are challenges that continue to impact the industry, including the following:

- Increased frequency and severity of climate-related catastrophes.
- Personal auto profitability remains under pressure from rising vehicle repair costs and increased levels of auto theft, although moderating.
- Persistent economic uncertainty and global geopolitical tensions.
- Rising sophistication of cyber threats and ransomware activity.

Ultimately, while solid capitalization, steady investment returns, and disciplined underwriting provide a solid foundation for Canada's P/C insurance segment, navigating evolving climate,

Analytical Contacts:

Alan Murray, Oldwick
+1 (908) 882-2195
Alan.Murray@ambest.com

Cristian Seira, Oldwick
+1 (908) 882-2315
Christian.Seira@ambest.com

Michael Buckley, Oldwick
+1 (908) 882-1677
Michael.Buckley@ambest.com

2026-120.2

economic, and cyber risks requires proactive adaptation. Sustaining profitability going forward will depend on the industry's ability to be agile and refine its risk management practices and leverage technological innovations, including artificial intelligence (AI).

Regulatory Environment

As Canada's P/C segment navigates an increasingly complex environment, regulatory bodies have continued to provide prudent oversight. Driven by the Office of the Superintendent of Financial Institutions (OSFI), current supervisory frameworks are placing increased emphasis on operational resilience, cyber hygiene, and strong governance around the use of AI. At the same time, provincial regulators are rolling out major auto insurance updates, including structural changes to Ontario's mandatory and optional accident benefits and Alberta's "Care-First" reform.

OSFI Updates

Through 2025 and 2026 thus far, OSFI continues to be active in shaping regulatory expectations across multiple categories. In September 2025, the regulatory body released Guideline E-23 (Model Risk Management) which established a formal, risk-based framework for governing artificial intelligence and machine learning models, as well as traditional actuarial models. This update will come into effect May 1, 2027. OSFI also continues to enforce Guideline B-13 (Technology and Cyber Risk Management), to combat escalating cyber threats as insurers navigate an increasingly sophisticated environment. On the climate front, Guideline B-15 (Climate Risk Management) has been updated to align with Canadian Sustainability Standard Board (CSSB) frameworks and refined institutional disclosure timelines, notably granting a three-year transition delay for Scope 3 greenhouse gas emissions reporting, while utilizing ongoing Climate Risk Returns (CRR) data to sharpen physical and transition risk oversight across the segment. OSFI also continues to refine its supervisory framework through updates to Guidelines E-21 (Operational Risk Management and Resilience), E-15 (Appointed Actuary), and the 2026 Minimum Capital Test (MCT) Guideline, strengthening expectations around operational resilience, risk management, capital adequacy, and actuarial oversight.

Ontario Auto

Effective July 1, 2026, Ontario's auto insurance reforms introduced a modular benefits model that shifts several Statutory Accident Benefits (SABS) from mandatory inclusions to optional choices for consumers. This includes income replacement and caregiver support. In addition, the updated framework designates auto insurers as the first payer for medical and rehabilitation claims. These structural changes may require personal lines insurers to implement extensive product redesigns and engage policyholders to guide them through complex coverage decisions. Furthermore, this update may shift more initial claims responsibilities to insurers.

Alberta Auto

In Alberta, the government passed Bill 47 (the Automobile Insurance Act), which is scheduled to take effect on January 1, 2027. This upcoming framework replaces the current tort-based system with the province's first "Care-First," no-fault auto insurance model designed to streamline injury compensation and limit litigation. Previously, the insurance market in Alberta suffered financial pressures owing to mandated rate caps that were not in line with the elevated claims severity. While the reform aims to stabilize claims costs and reduce administrative overhead over time, the transition may pressure insurers' results in the short term as the market adjusts. However, the shift away from litigation-driven outcomes may support longer-term stabilization, provided insurers secure pricing adequacy and maintain effective claims management.

Competitive Landscape

The Canada P/C insurance landscape remains highly concentrated, with a handful of large national insurers controlling a significant share of the market. In this environment, scale and consolidation continue to serve as vital competitive advantages. Despite the dominance of these large players, the broader market remains fundamentally sound, as demonstrated by AM Best's Issuer Credit Ratings (ICR) and Financial Strength Ratings (FSR) distributions.

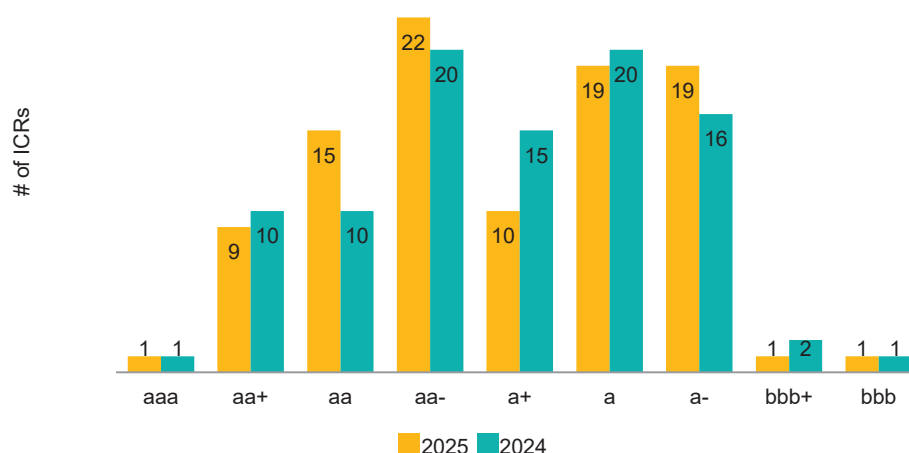
2025 Ratings Distribution

In 2025, approximately 98% of Canadian P/C insurers rated by AM Best had ICRs of "a-" or higher, in line with the prior year (**Exhibit 1**). While there were no new ratings in 2025, the year saw significant rating actions, concentrated primarily on the upside, with 14 ICR upgrades compared to two downgrades. The upgrades reflected a variety of considerations, including acquisitions, improved balance sheet strength, and enhanced operating performance. The two downgrades were a result of a sale to a lower-rated organization.

From an FSR perspective, most P/C carriers in Canada are assessed as either Superior (A++ or A+) or Excellent (A or A-), in line with trends seen over the long term (**Exhibit 2**). The Canadian P/C industry has demonstrated consistent stability, with all rated entities maintaining FSRs of B++ or higher over the last ten years. In addition, AM Best notes there was an increase in Superior ratings driven by various upgrades over the year.

Of the 97 rated entities from an ICR perspective, 88 had a Stable outlook and 6 had a Positive outlook (**Exhibit 3**). In addition, there were 3 negative outlooks placed during the year, largely driven by merger and acquisition

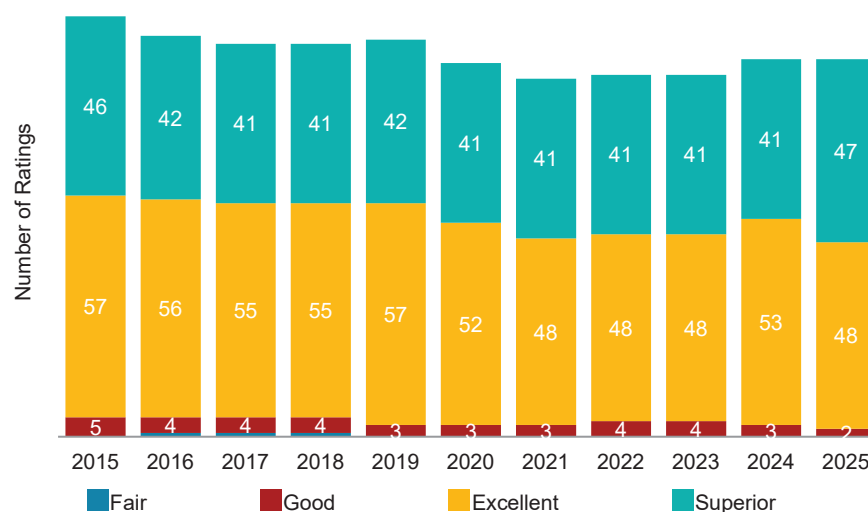
Exhibit 1
Canada Property/Casualty – 2025 & 2024 Issuer Credit Ratings



Notes: ICRs = Issuer Credit Ratings. Ratings as of December 31, 2025

Source: **BESTLINK**

Exhibit 2
Canada Property/Casualty – Interactive Ratings



As of December 31, 2025

Source: **BESTLINK**

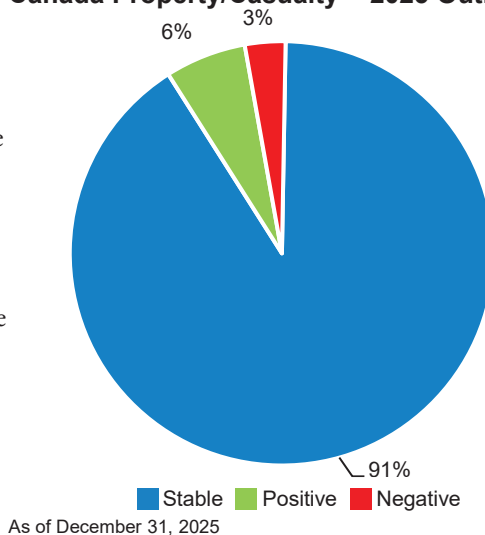
transactions to lower-rated entities. Over 90% of the rated population in Canada has had a Stable outlook in each of the last three years, reflecting the market's stability and generally strong operating earnings, which have supported robust balance sheet strength. Most ratings assigned a Positive outlook in 2025 were driven by favorable operating performance compared with peers and improved balance sheet strength.

Canada Reinsurance Market

AM Best revised its outlook on the global reinsurance market from Positive to Stable in early 2026, reflecting property pricing softness, persistent casualty challenges, and elevated catastrophe losses. Nonetheless, underwriting discipline has largely remained intact, higher retention and attachment points have mostly held, and reinsurers remain very well capitalized.

Exhibit 3

Canada Property/Casualty – 2025 Outlooks

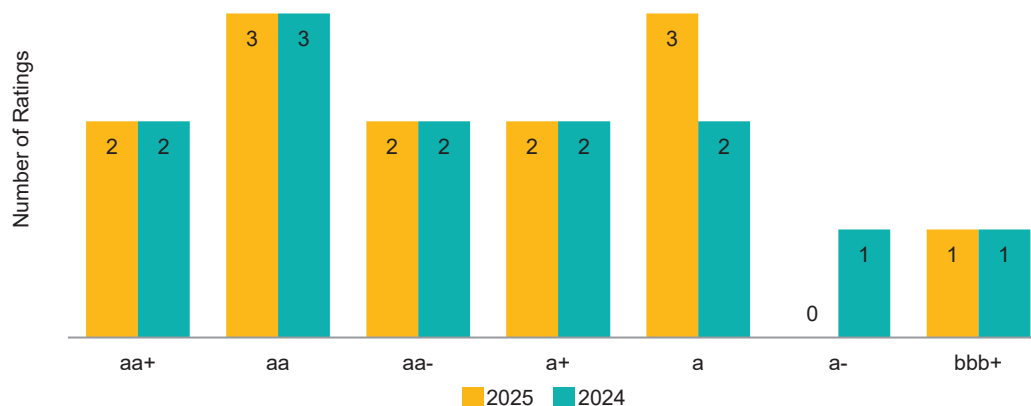


Source: **BESTLINK**

AM Best's Canadian reinsurance market closely mirrors the broader trends observed globally. In 2025, Canadian reinsurers' performance improved relative to the previous year. The improvement year-over-year was largely driven by a decrease in catastrophe activity, which led to a significantly lower loss & LAE ratio. While the Canadian industry reported net CAT losses in excess of CAD 2 billion, reinsurers felt less of this pressure given the current retentions and attachment points of primary carriers. Given the strong results of Canadian reinsurers, financial strength has remained a key positive. Similar to the prior year, about 92% of all AM Best-rated Canadian reinsurance companies maintained an ICR of Excellent (a-/a/a+) or higher in 2025 (**Exhibit 4**).

Exhibit 4

Canada Property/Casualty – Distribution of 2025 & 2024 Reinsurance ICRs



Notes: ICR = Issuer Credit Rating. Ratings as of December 31, 2025.

Source: **BESTLINK**

Mergers & Acquisitions

Merger and acquisition (M&A) activity in Canada's P/C insurance industry continues to play an important role as insurers seek to enhance scale and improve competitive positions. Large-scale consolidation has accelerated with notable transactions announced or completed in 2026. Recent M&A activity included the completion of Definity Financial Corporation's acquisition of the Canadian personal insurance business and the majority of the commercial insurance operations of The Travelers Companies, Inc. The transaction elevated Definity to one of the top four property and casualty insurers in Canada. In addition, Beneva and Gore Mutual officially completed their merger in early 2026. The union combines two major Canadian mutual insurers as part of a multi-phase national growth and integration strategy. On March 23, 2026, The Wawanesa Mutual Insurance Company announced an agreement to acquire Everest Insurance Company of Canada. The transaction, expected to close in the fourth quarter of 2026, adds about CAD 305 million in annual commercial premiums and forms part of Everest's global exit from retail insurance. AM Best expects continued consolidation across insurers and brokers, confirming scale and specialty capability as core competitive drivers.

Performance Trends

Canada's Catastrophe Losses Normalize in 2025

Canada's insured catastrophe losses declined substantially in 2025 following a record-setting year in 2024. Insured damage from severe weather events totaled approximately CAD 2.4 billion in 2025, making 2025 the ninth costliest year on record, according to Catastrophe Indices and Quantification Inc. (CatIQ) (**Exhibit 5**). This compares with approximately CAD 9.4 billion in insured losses in 2024, which remains the costliest year ever recorded. Despite the significant year-over-year decline, insured catastrophe losses remain elevated compared with historical levels, emphasizing the continued challenges posed by increasingly frequent and severe weather events.

Multiple severe weather events throughout 2025 resulted in significant insured losses, although no individual event approached the magnitude of the major catastrophes experienced in 2024. The largest events in 2025 included the late March ice storm in Ontario and Quebec; wildfires near Flin Flon, Manitoba, and La Ronge, Saskatchewan; a July hailstorm in Calgary; severe storms across the Prairies in August; flash flooding in Montreal and other parts of Quebec in July; and flooding associated with an atmospheric river in British Columbia in December. The Ontario and Quebec ice storm was the largest event of the year, with insured losses initially estimated at approximately CAD 466 million. The May wildfires in Manitoba and Saskatchewan resulted in approximately CAD 300 million in insured losses, while severe Prairie storms and the Calgary hailstorm generated approximately CAD 235 million and CAD 160 million, respectively. The July flash flooding in Montreal and other parts of Quebec resulted in nearly CAD 120 million in insured losses, while the December atmospheric river and associated flooding in British Columbia and parts of Alberta generated close to CAD 90 million.

Catastrophic weather losses in Canada have become more costly and more frequent over the long term, with acceleration of these trends in the last decade (**Exhibit 6**). Inflation-adjusted insured losses increased from CAD 10.3 billion during 2011-2015 to CAD 15.0 billion during 2016-2020 and CAD 21.1 billion during 2021-2025, while the average number of catastrophic events increased from 9.2 per year during 2011-2025 to 12.0 during 2016-2020 and 14.6 during 2021-2025 (**Exhibit 7**). The period

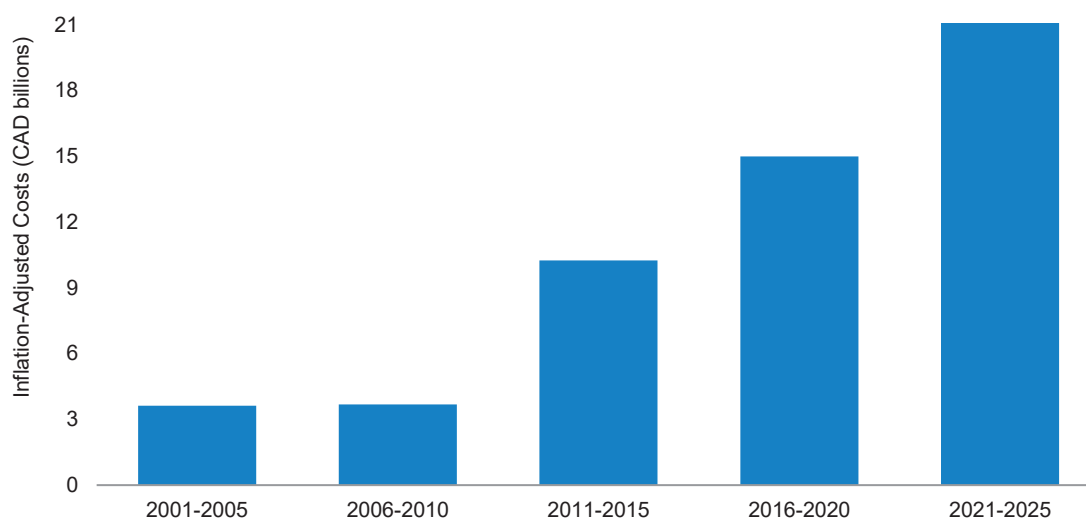
Exhibit 5

2025 Largest Cat Events

Cat Event	Losses (CAD millions)
Ontario & Quebec Ice Storm	466
Flin Flon & La Ronge Wildfires	300
Prairie Severe Storms	235
Calgary Hailstorm	160
Montreal & Quebec Flash Flooding	120
BC Atmospheric River	90

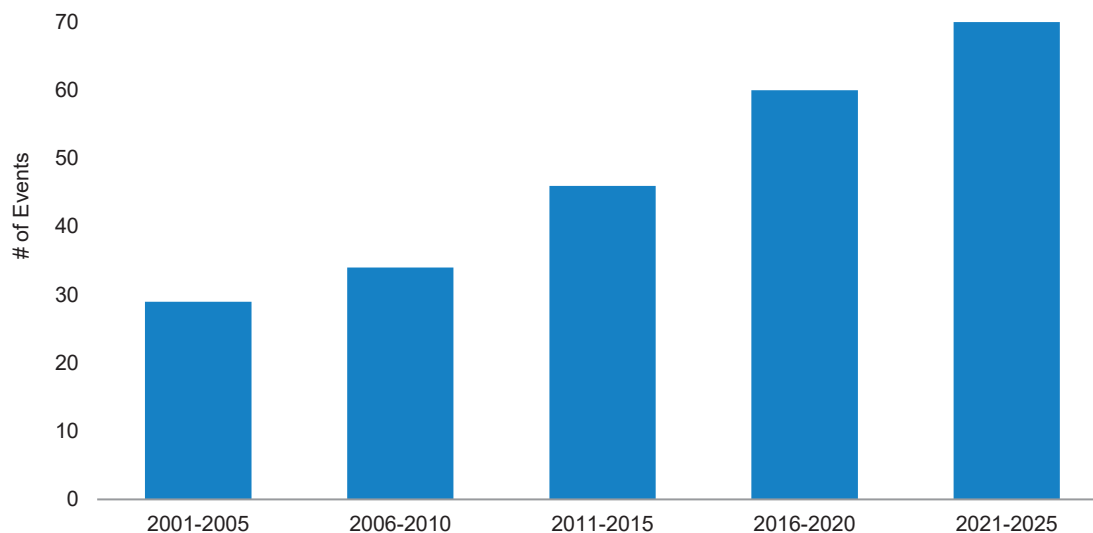
Source: CatIQ

Exhibit 6
Canada Property/Casualty – Catastrophe Losses



Source: IBC

Exhibit 7
Canada Property/Casualty – Catastrophe Frequency



Source: IBC

between 2021-2025 is the first five-year period in which each year had double-digit catastrophe events. The highest annual total of any year was 2025, which experienced 17 catastrophe events recorded, although insured losses declined from the prior year as many of the events were less concentrated in densely populated areas, therefore resulting in lower overall insured losses.

Alberta remains notable for its concentration of severe weather activity, particularly hail, having experienced at least one major hailstorm every year for the past two decades. Most recently, the July 2025 Calgary hailstorm generated approximately CAD 160 million in insured losses, following the record CAD 3.3 billion Calgary hailstorm in 2024. While 2025 losses were substantially lower than the prior year's unprecedented level, the continued frequency of severe weather events across

Canada, such as wildfires and floods, and Alberta's persistent exposure to major hailstorms, reinforce the growing impact of secondary perils as a structural risk for insurers. The focus has shifted toward maintaining pricing adequacy, disciplined underwriting, reinsurance protection, and greater investment in resilience and mitigation.

Looking ahead, 2026 is continuing the trend of higher catastrophe activity, with several events occurring earlier in the year than normal and at a rapid pace through summer. In particular, severe convective storms that have caused flash flooding have been a significant contributor to insured losses, with more than 10 severe convective storm events occurring since June per CatIQ. One of the largest events to date was the June severe storm outbreak in Saskatchewan and Manitoba, which generated tornadoes, large hail, damaging winds, and record rainfall, resulting in over CAD 900 million in estimated insured losses. Wildfire remains another key risk following another elevated fire season. However, the absence of a single, large-scale event similar to those experienced in 2024 has kept aggregate losses below the record levels experienced that year.

2025 Financial Results

In 2025, the Canadian P/C industry's financial results remained strong, improving from 2024, with operating earnings driven by growth in underwriting income and supported by steady investment income. Since natural catastrophe activity in Canada was notably less severe in 2025 compared with the historically elevated levels experienced in 2024, net income improved by 51.7% (**Exhibit 8**). Insurers were able to absorb a historically bad loss year in 2024 and ended 2025 with strong capitalization and improved returns, as return on equity increased to 13.9% from 9.9% in 2024. The reinsurance segment in Canada benefited from higher prices, tighter terms, and greater retentions established after the 2023-2024 market correction, while not having to absorb the catastrophe losses experienced last year. As a result, the combined ratio for this segment improved significantly in 2025 to 68.9% (**Exhibit 9**).

Exhibit 8

Canada Property/Casualty – Net Income¹

(CAD billions)

	2021	2022	2023	2024	2025
Insurance Service Result/Net Underwriting Income	7.6	7.1	7.9	7.4	11.2
Investment Return/Net Investment Income	1.5	-1.2	5.1	7.2	6.9
Net Finance Income	n/a	1.5	-2.8	-3.8	-2.8
All Other Income	1.5	-2.2	-1.2	-2.7	-2.9
Income Tax	2.3	1.2	1.9	1.9	3.0
Net Income	8.3	4.0	7.1	6.3	9.5

¹ Excludes Lloyd's, CAB, and ICBC. Totals may not sum precisely due to rounding.

2022-2025 figures are reported in accordance with IFRS 17

Source: 

Exhibit 9

Canada Property/Casualty – Reinsurance Highlights

	Loss & LAE Ratio (Net/Net)	Expense Ratio (Net/Net)	Combined Ratio (Net/Net)	Combined Ratio (Net/Gross)	Insurance Revenue (CAD billions)
2022	64.8	10.5	75.3	83.6	3.4
2023	53.9	11.7	65.6	77.8	4.2
2024	79.3	12.8	92.1	94.6	4.7
2025	53.2	15.7	68.9	80.0	4.5

Figures reported in accordance with IFRS 17.

Source: 

Underwriting Results

From a top-line perspective, the Canadian P/C industry's insurance revenue base grew 5.6% to CAD 97.4 billion on a gross basis and 6.0% to CAD 76.1 billion on a net basis. In contrast, insurance service expenses decreased by 6.3% to CAD 79.4 billion. This combination of continued insurance revenue growth and lower insurance service expenses resulted in the overall combined ratio decreasing by 5.1 points in 2025 to 90.3% (**Exhibit**

10). Given the lower level

of catastrophe losses from the prior year, the loss and LAE ratio decreased by 5.0 points, while the underwriting expense ratio remained relatively unchanged. Continued growth in premiums was broadly offset by higher operating expenses, including ongoing investments in technology and systems and other personnel and infrastructure costs, resulting in a stable underwriting expense ratio year-over-year. As a result, the improvement in underwriting performance was driven almost entirely by the decline in the loss and LAE ratio, reflecting a reduction in catastrophe-related losses from the prior year.

Auto

Total auto insurance revenue increased 9.5% during 2025, with particularly strong growth in the auto other (+13.5%) and auto liability lines (+8.8%), while auto personal accident grew modestly (+2.4%). Underwriting performance of the auto other and auto liability lines improved in 2025, as the loss and LAE ratio declined by 5.6 points and 2.2 points, respectively. However, the auto personal accident line deteriorated significantly, with the loss and LAE ratio increasing by 13.6 points, continuing the adverse trend experienced in the prior year (**Exhibit 11**).

Across the segment, vehicle inventories and repair and replacement costs have continued to stabilize, while insurers continue to employ risk mitigation measures, including theft prevention and tracking technologies, alongside pricing adjustments. Theft frequency has decreased from peak levels in 2023, although theft remains a significant consideration for insurers, particularly for higher-risk vehicles. Overall, auto market conditions are expected to remain firm as insurers focus on pricing and risk selection amid uncertainty around repair and replacement costs, potential tariff impacts, and long-tail severity pressures. In addition, regulatory developments in Alberta and Ontario will remain an important consideration for the Canadian auto market.

Property

Personal property underwriting performance improved in 2025, with total insurance revenue increasing 10.8% and loss ratio improving by 11.2 points in 2025 to 52.4% (**Exhibit 12**). The improvement reflects moderation in catastrophe losses from the record losses in 2024. Despite the improved loss experience, insurers continued to focus on achieving adequate pricing and refining risk selection as wildfire, flood, and severe convective storm risks remained elevated. Enhanced catastrophe

Exhibit 10

Canada Property/Casualty – Combined Ratio Components, 2016-2025 ¹

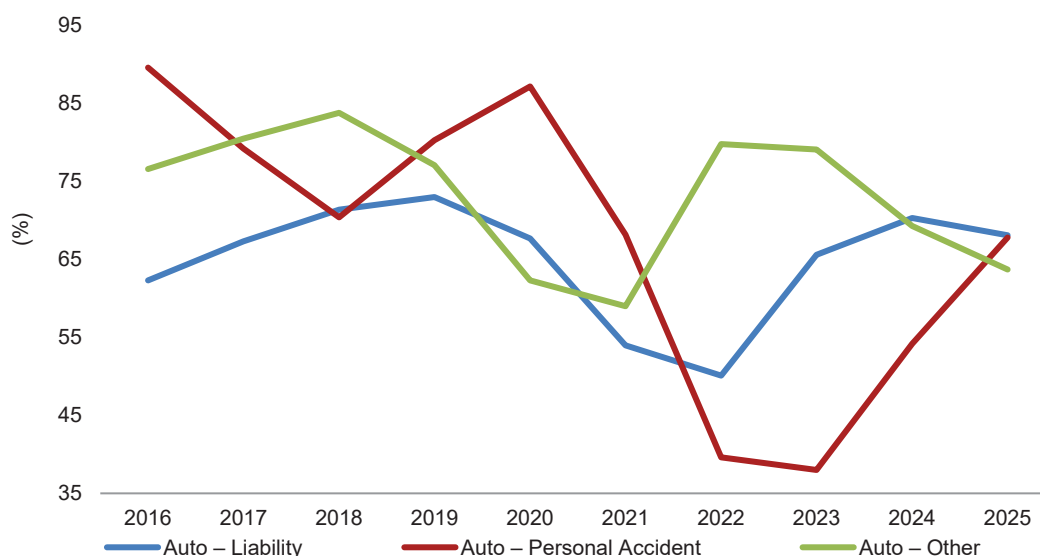
	Net Premiums Written (CAD billions)	Net Insurance Revenue (CAD billions)	Loss & LAE Ratio	Underwriting Expense Ratio	Combined Ratio
2016	41.1	-	65.6	32.5	98.1
2017	40.7	-	63.9	33.2	97.1
2018	43.8	-	69.6	31.9	101.4
2019	44.9	-	67.3	33.1	100.3
2020	51.1	-	64.9	31.9	96.8
2021	55.5	-	53.7	32.4	86.3
2022	-	52.5	59.9	31.1	91.0
2023	-	60.6	60.4	31.9	92.3
2024	-	71.8	63.3	32.1	95.4
2025	-	76.1	58.3	32.0	90.3

¹ Excludes Lloyd's, CAB, and ICBC.

2022-2025 figures are reported in accordance with IFRS 17.

Source:  BESTLINK

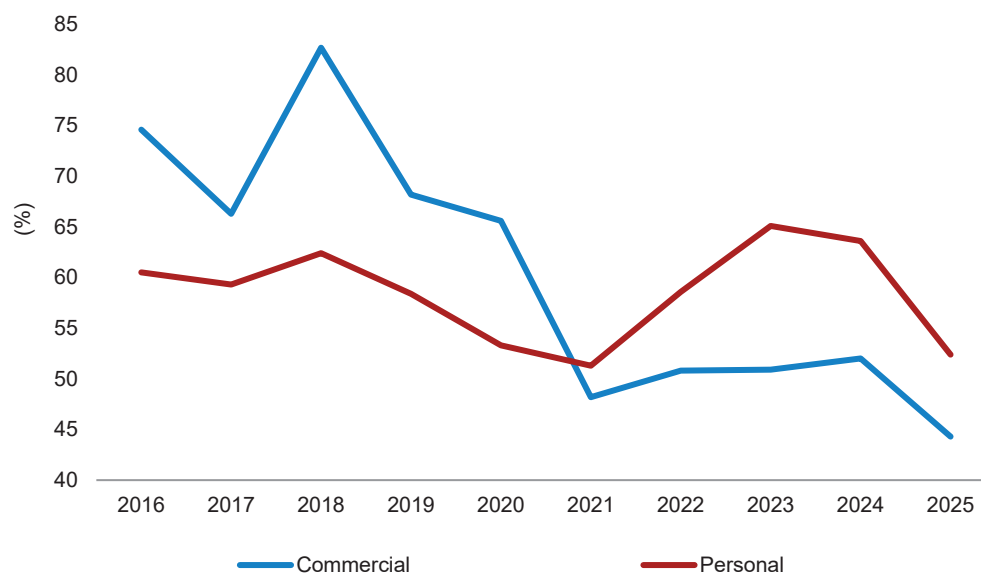
Exhibit 11
Canada Property/Casualty – Private Auto Insurers' Loss & LAE Ratios (Net/Net) ¹



¹ Excludes Lloyd's, CAB, and ICBC.
 2023-2025 figures are reported in accordance with IFRS 17.

Source: **BESTLINK**

Exhibit 12
Canada Property/Casualty – Personal & Commercial Property Loss & LAE Ratios (Net/Net) ¹



¹ Excludes Lloyd's, CAB, and ICBC.
 2023-2025 figures are reported in accordance with IFRS 17.

Source: **BESTLINK**

modeling, data analytics, and more sophisticated underwriting practices are increasingly being used to differentiate risk and manage exposure, specifically in catastrophe-prone areas.

Commercial property underwriting performance also improved considerably in 2025, with the loss ratio improving by 7.7 points to 44.3%. This marks the lowest level in the past decade. Total insurance revenue growth was relatively modest at 2.1% as improving underwriting results were impacted by a softening market environment. Increased capacity and competition continued to put pressure on pricing, although market conditions remained highly segmented. Well-performing risks with favorable loss experience, accurate valuations, and strong risk management generally benefited from greater competition, while catastrophe-exposed and loss-affected accounts continued to face greater underwriting scrutiny and more conservative terms.

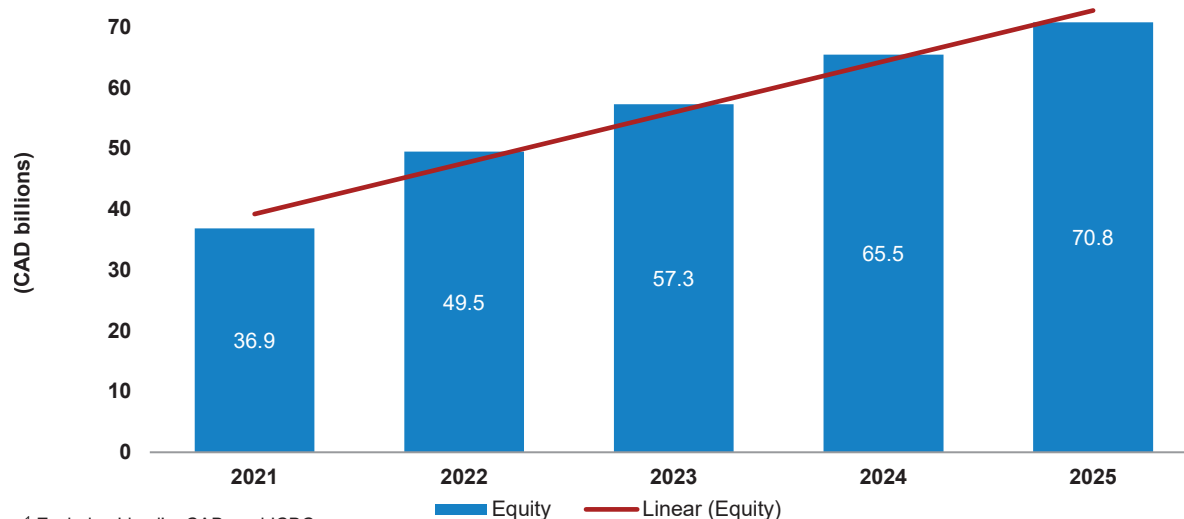
Equity & Risk-Adjusted Capitalization

As earnings have trended positively, total equity has also grown significantly, with a total 5-year change since 2021 of 47.9% (**Exhibit 13**). This multi-year expansion of insurers' equity reinforces the industry's robust capital position. Notably, the industry's risk-adjusted capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), remains solid, with a majority of P/C insurers rated in Canada achieving BCAR scores within the Very Strong and Strongest categories. In 2025 alone, industry equity rose by 8.1%, reaching CAD 70.8 billion, reflecting solid underwriting and prudent capital management. The continued accumulation of capital helps ensure the P/C industry's capability to absorb potential market volatility and catastrophic weather events.

Exhibit 13

Canada Property/Casualty – Equity¹

(CAD billions)



¹ Excludes Lloyd's, CAB, and ICBC.

2022 - 2025 figures are reported in accordance with IFRS 17; prior years are based on previous accounting standards.

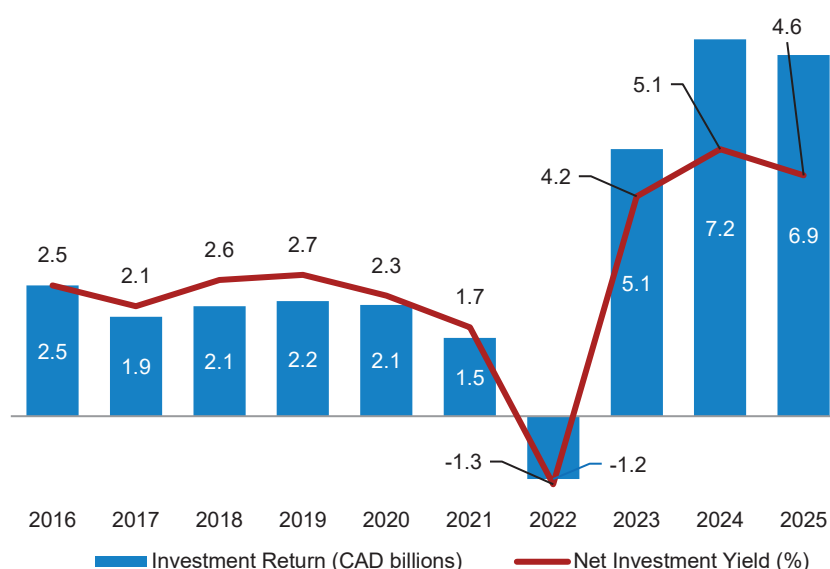
Source: **BESTLINK**

Investments

Net investment income remains a positive contributor to earnings generation for Canadian P/C insurers. In 2025, the industry recorded an investment return of CAD 6.9 billion, representing a decline of 4.2% year-over-year (**Exhibit 14**). Despite the moderation in investment gains, the overall financial health of the segment remained robust. The industry's net investment yield declined to 4.6% in 2025, down from 5.1% in 2024, both significantly above the 10-year average trend. Net investment

yield declined primarily due to the Bank of Canada's interest rate cuts in 2025, which have slightly reduced the benefit of higher reinvestment yields. Nonetheless, underlying asset gains continue to bolster corporate earnings, serving as a critical financial cushion as the industry grapples with historic claims volumes and rising operational costs. As of year-end 2025, fixed income remains the dominant asset class in P/C insurers' portfolios, representing 61.6% of total invested assets (**Exhibit 15**). In 2026 thus far, the investment performance of the Canadian insurance industry is continuing to report steady investment income, driven primarily by broad equity market appreciation and historically high yields on fixed income portfolios, although slightly moderating.

Exhibit 14

Canada Property/Casualty – Investment Return and Net Investment Yield¹¹ Excludes Lloyd's, CAB, and ICBC.

2023 - 2025 figures are reported in accordance with IFRS 17.

Source: **BESTLINK**

Exhibit 15

Canada Property/Casualty – Invested Assets (%)¹

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Bonds & Debentures	57.2	54.5	53.4	52.4	52.2	48.0	56.7	69.8	61.7	61.6
Total Stocks	8.3	8.9	7.3	7.4	6.5	8.0	7.6	10.7	11.3	11.6
Real Estate & Mortgage Loans	0.7	0.7	0.8	0.8	0.8	0.7	0.5	1.9	1.7	1.6
Affiliated Invested Assets	3.7	4.5	5.4	5.7	5.5	5.8	5.5	2.6	1.6	1.5
Cash & Cash Equivalents	3.5	4.2	4.0	4.3	6.0	7.3	5.9	6.6	5.5	4.7
Other Loans & Invested Assets	26.5	27.2	29.2	29.3	29.1	30.3	23.8	8.4	18.2	19.0
Invested Assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

¹ Excludes Lloyd's, CAB, and ICBC.

2023-2025 figures are reported in accordance with IFRS 17.

Source: **BESTLINK****Other Considerations***Geopolitical Risk*

Persistent global tensions and trade uncertainties continue to introduce additional risks to the Canadian insurers. Trade tensions between Canada and the US, its most significant partner, have recently re-emerged with the imposition of new US tariffs targeting approximately CAD 28 billion of Canadian exports. For the Canadian P/C segment, prolonged trade uncertainty could moderate premium growth in commercial lines, particularly among manufacturing and transportation risks, while ongoing inflationary and supply chain pressures may contribute to higher claims severity and underwriting challenges. While Canada has retaliated with tariffs of its own, economists warn the

renewed trade dispute could slow Canada's economic recovery. Beyond standard trade disputes, global warfare in the Middle East has driven up volatility related to supply chains and energy prices. Geopolitical instability also contributes to financial market volatility, cyber threats, and potential disruptions to global reinsurance capital flows, further increasing uncertainty across the insurance segment.

Cyber Risk

Cyber risk remains one of the fastest-growing and most complex exposures facing Canadian insurers and reinsurers. This risk has been even more pronounced given the geopolitical unrest globally. Threats such as ransomware, AI-enabled fraud, business email compromise, and systemic cyber events continue to drive demand for cyber insurance as organizations become increasingly reliant on digital infrastructure. The rapid growth of Canada's cyber insurance market reflects the heightened awareness of these risks. The market remains moderately concentrated by large national players but increasingly competitive as specialty cyber insurers and managing general agents (MGAs) enter the space. IBC estimates CAD 650 million of written cyber premium in 2024. The financial impact of cybercrime continues to escalate, with Canadians reporting a record CAD 704 million in fraud losses in 2025 and the average cost of a data breach in Canada approaching CAD 7 million. In response, insurers have strengthened underwriting standards and increasingly require policyholders to implement cybersecurity measures such as multi-factor authentication and incident response planning. While these efforts have improved risk management and underwriting performance, emerging threats fueled by artificial intelligence and the potential for systemic cyber events remain significant concerns for the Canadian insurance industry.

Artificial Intelligence

Artificial intelligence is becoming an increasingly important strategic tool for Canadian insurers, helping enhance operational efficiency, improve underwriting accuracy, streamline claims management, and strengthen fraud detection capabilities. While adoption remains in its relatively early stages, AM Best expects insurers to accelerate the integration of AI across core business functions as the technology matures and use cases become more scalable. To date, the most prominent applications have involved generative AI solutions that support customer service, document processing, claims handling, and underwriting workflows, enabling employees to focus on more complex tasks. Beyond efficiency gains, AI has the potential to improve risk selection and pricing sophistication, supporting insurers' efforts to manage rising claims costs and competitive pressures. However, the increasing use of AI also introduces new risks, including model bias, data privacy concerns, regulatory and governance challenges, and potential liability arising from AI-driven decisions. Furthermore, the same technology is being leveraged by threat actors to develop more sophisticated cyber attacks. As a result, insurers must balance the operational benefits of AI with robust oversight, governance frameworks, and cybersecurity controls to effectively manage the emerging risks associated with its adoption.

Wildfire Risk

Wildfire risk remains a significant concern for Canadian property/casualty insurers, with the frequency, geographic reach, and severity of major wildfire events increasing over the past decade. Although 2025 did not produce a wildfire at the magnitude of the 2016 Fort McMurray or 2024 Jasper fires, Canada experienced its second largest wildfire season on record based on area burned, only behind 2023.

According to the Insurance Bureau of Canada's (IBC), insured wildfire losses totaled approximately CAD 8.1 billion during 2016–2025, more than ten times the CAD 734 million recorded during

the preceding decade. 16 catastrophic wildfire events were recorded nationally during 2016–2025, compared with only two during the prior decade. The 2024 Jasper wildfire, with insured losses approaching CAD 1.3 billion, further demonstrated that wildfire can generate losses well beyond traditionally high-risk remote areas and can materially affect concentrated residential and commercial exposures.

So far, 2026 is shaping up to be another elevated wildfire year, with prolonged heat, low humidity, and dry conditions contributing to significant activity across parts of the country. Although wildfire activity has remained below the levels recorded in 2025, more than 4.1 million hectares had burned by mid-August, with elevated fire risk expected to persist into the fall season.

Insurers have consequently placed greater emphasis on exposure management and more granular assessment of wildfire risk at the individual-property level. The use of wildfire risk models and property-level risk scores is becoming an increasingly important tool for identifying concentrations, segmenting exposures, and supporting underwriting and pricing decisions, particularly in areas exposed to the wildland-urban interface.

Growth via MGAs/Brokers

MGAs and brokers play an increasingly critical role in the overall insurance ecosystem in Canada. In recent years, the MGA segment has experienced significant growth as insurers try to find flexible ways to deploy capital and expand their market reach. According to the Canadian Association of Managing General Agents (CAMGA), approximately 20% of commercial insurance business in Canada is currently placed through MGAs, and industry participants expect that share to increase further as the market continues to follow the more mature US and UK delegated underwriting models. In addition to the increased use of MGAs, Canadian insurers have placed greater emphasis on distribution strategies through acquisitions and strategic investments in brokerages. Greater control over distribution provides insurers with improved access to customer data, supports growth initiatives, and enhances the ability to deliver tailored insurance solutions. As such, the broader Canadian broker market has experienced significant consolidation in recent years, driven by insurer interest, private equity investment, and the pursuit of scale. The Canadian brokerage landscape has become increasingly concentrated, with the top 10 brokerage groups now accounting for more than 60% of market share, compared with less than 40% a decade ago. Against this backdrop, firms have increasingly pursued strategic mergers and acquisitions to strengthen their market position, broaden service offerings, and expand their geographic reach. For example, Navacord Corporation and Acera Insurance Services Ltd. completed a merger, creating one of Canada's largest privately held insurance, employee benefits, and wealth advisory firms.

Published by AM Best

BEST'S MARKET SEGMENT REPORT**A.M. Best Company Inc.**
Oldwick, NJ**CHAIRMAN, PRESIDENT & CEO Arthur Snyder III**
SENIOR VICE PRESIDENT & CFO Cynthia Young
SENIOR VICE PRESIDENT Lee McDonald**A.M. Best Rating Services Inc.**
Oldwick, NJ**PRESIDENT James Gillard**
EXECUTIVE VICE PRESIDENT & COO Stefan W. Holzberger
EXECUTIVE VICE PRESIDENT & CSO Andrea Keenan
EXECUTIVE VICE PRESIDENT & CIO James F. Snee
SENIOR MANAGING DIRECTOR & CRO Kenneth Johnson
SENIOR MANAGING DIRECTOR & CCO Edward H. Easop**AMERICAS****WORLD HEADQUARTERS****A.M. Best Company, Inc.**
A.M. Best Rating Services, Inc.
1 Ambest Road, Oldwick, NJ 08858
Phone: +1 908 439 2200**MEXICO CITY****A.M. Best América Latina, S.A. de C.V.**
Av. Paseo de la Reforma 412, Piso 23,
Col. Juárez, Alcaldía Cuauhtémoc, C.P. 06600, Mexico City, Mexico
Phone: +52 55 1102 2720**EUROPE, MIDDLE EAST & AFRICA (EMEA)****LONDON****A.M. Best Europe - Information Services Limited**
A.M. Best Europe - Rating Services Limited
12 Arthur Street, 8th Floor, London, UK EC4R 9AB
Phone: +44 20 7626 6264**AMSTERDAM****A.M. Best (EU) Rating Services B.V.**
NoMA House, Gustav Mahlerlaan 1212, 1081 LA Amsterdam, Netherlands
Phone: +31 20 308 5420**DUBAI*****A.M. Best Europe - Rating Services Ltd. - DIFC Branch***
Office 102, Tower 2, Currency House, DIFC
P.O. Box 506617, Dubai, UAE
Phone: +971 4375 2780

*Regulated by the DFSA as a Credit Rating Agency

ASIA-PACIFIC**HONG KONG****A.M. Best Asia-Pacific Limited**
Unit 4004 Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Phone: +852 2827 3400**SINGAPORE****A.M. Best Asia-Pacific (Singapore) Pte. Ltd**
8 Cross Street, #21-03 Manulife Tower
Singapore 048424
Phone: +65 6303 5000**Best's Financial Strength Rating (FSR):** an independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations. An FSR is not assigned to specific insurance policies or contracts.**Best's Issuer Credit Rating (ICR):** an independent opinion of an entity's ability to meet its ongoing financial obligations and can be issued on either a long- or short-term basis.**Best's Issue Credit Rating (IR):** an independent opinion of credit quality assigned to issues that gauges the ability to meet the terms of the obligation and can be issued on a long- or short-term basis (obligations with original maturities generally less than one year).**Best's National Scale Rating (NSR):** a relative measure of credit-worthiness in a specific local jurisdiction that is issued on a long-term basis and derived exclusively by mapping the NSR from a corresponding global ICR using a transition chart.**Rating Disclosure: Use and Limitations**

A Best's Credit Rating (BCR) is a forward-looking independent and objective opinion regarding an insurer's, issuer's or financial obligation's relative creditworthiness. The opinion represents a comprehensive analysis consisting of a quantitative and qualitative evaluation of balance sheet strength, operating performance, business profile, and enterprise risk management or, where appropriate, the specific nature and details of a security. Because a BCR is a forward-looking opinion as of the date it is released, it cannot be considered as a fact or guarantee of future credit quality and therefore cannot be described as accurate or inaccurate. A BCR is a relative measure of risk that implies credit quality and is assigned using a scale with a defined population of categories and notches. Entities or obligations assigned the same BCR symbol developed using the same scale, should not be viewed as completely identical in terms of credit quality. Alternatively, they are alike in category (or notches within a category), but given there is a prescribed progression of categories (and notches) used in assigning the ratings of a much larger population of entities or obligations, the categories (notches) cannot mirror the precise subtleties of risk that are inherent within similarly rated entities or obligations. While a BCR reflects the opinion of A.M. Best Rating Services, Inc. (AM Best) of relative creditworthiness, it is not an indicator or predictor of defined impairment or default probability with respect to any specific insurer, issuer or financial obligation. A BCR is not investment advice, nor should it be construed as a consulting or advisory service, as such; it is not intended to be utilized as a recommendation to purchase, hold or terminate any insurance policy, contract, security or any other financial obligation, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser. Users of a BCR should not rely on it in making any investment decision; however, if used, the BCR must be considered as only one factor. Users must make their own evaluation of each investment decision. A BCR opinion is provided on an "as is" basis without any expressed or implied warranty. In addition, a BCR may be changed, suspended or withdrawn at any time for any reason at the sole discretion of AM Best.

Version 011624

GUIDE TO BEST’S MARKET SEGMENT OUTLOOKS

A market segment outlook reflects AM Best’s forward-looking assessment of the expected operating environment and conditions within a segment over the next 12 months. It is based on factors such as economic conditions, the regulatory environment, the competitive landscape, as well as performance trends and other considerations. The outlook provides context for how these factors collectively shape the segment’s trajectory.

A Best’s Market Segment Outlook, like a Best’s Credit Rating Outlook for a company, can be Positive, Negative, or Stable.

Best’s Market Segment Outlook	
Positive	A Positive outlook indicates that market conditions are expected to improve or support operations and strong performance within the segment over the next 12 months.
Stable	A Stable outlook suggests that market conditions are expected to remain broadly consistent with the current environment, with no material positive or negative shifts anticipated with the segment over the next 12 months.
Negative	A Negative outlook signifies that market conditions are expected to deteriorate or present challenges to operations and performance within the segment over the next 12 months..

Copyright © 2026 A.M. Best Company, Inc. and/or its affiliates. All rights reserved. No portion of the content may be reproduced, distributed, or stored in a database or retrieval system, or transmitted, or uploaded into any external applications, algorithms, bots or websites, including those using artificial intelligence or machine learning technologies such as large language models (LLM), generative AI (Gen-AI) or retrieval-augmented generation (RAG) in any form or by any means without the prior written permission of AM Best. AM Best does not warrant the accuracy, completeness, or timeliness of the AM Best content. While the content was obtained from sources believed to be reliable, its accuracy is not guaranteed. You specifically acknowledge that neither AM Best nor the content gives any investment, financial, tax, insurance, or legal advice. You are solely responsible for seeking competent professional advice before making any investment, financial, tax or insurance decision. For additional details, refer to our Terms of Use available at the AM Best website: <https://web.ambest.com/about/terms-of-use>.