

September 18, 2026

Canadian Life/Annuity: A Focus on Digitization Bolsters Growth

Sales growth has been supported by digitization and technology-driven, customer-centric business models

Principal Takeaways

- Canada's life/annuity industry life sales continued to increase in 2025.
- Insurers are focusing on digital transformation and improvement through AI.
- Canadian insurers are addressing challenges and opportunities arising from an ongoing life insurance coverage gap.

AM Best's outlook on Canada's life/annuity (L/A) insurance industry remains at Stable, based on the following factors:

- Prudent regulatory capital strength and financial flexibility support steady organic and inorganic growth opportunities.
- Favorable earnings and underwriting are supported by diversified lines of business and a growing diversified geographic footprint.
- Favorable top-line growth, with a focus on enterprise risk management, further supports the outlook.

Canadian L/A insurers' offsetting challenges, include:

- Inflationary pressures policyholders face, straining household budgets.
- An escalating trade dispute with the United States is creating growing uncertainty domestically and on a global scale.
- Operational risks, including cyber threats, are increasing as digitization in the industry grows.

Through 2025, Canada's L/A insurers reported favorable operating results in their core lines of business owing to favorable investment returns and increasing sales trends. Total Canadian life insurance new annualized premium reached a record high of CAD 2.3 billion in 2025, according to LIMRA. This is a 4% increase from 2024, mainly driven by whole life premiums, which grew 10%, accounting for 70% of the premium market share. Within the whole life category, the participating whole life products remain the highest selling and represent 87% of the new premium sold. This is due to the Canadian tax advantages of utilizing participating whole life products as part of policyholders' broader retirement strategies.

Sales growth has been supported by digitization and technology-driven, customer-centric business models. Sales are driven partially by efforts to increase accessibility and speed in acquiring life insurance. This includes recent enhancements by companies such as ManuLife Financial Corporation to apply AI to accelerate decision-making within underwriting. While premium trends are favorable, there are coverage gaps in Canada and a shift toward high-net-worth clients. The coverage gap is driven by policies that have been acquired in previous years that are not

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keeping pace with inflation, including higher mortgages and salaries. This is where technology comes in to attempt to address these issues through innovation and streamlining the sales process.

Canadian L/A insurers remain well positioned for steady growth despite lingering headwinds that include economic uncertainty for Canada and globally. Notably, the Canadian economy rebounded in the second quarter of 2026 with 3.3% GDP growth in the midst of a realignment of trade relationships. The insurance industry has benefited and grown as consumers saw an increased need for protection through uncertainty. Canadian L/A insurers remain in a solid position, with strong balance sheets marked by high levels of regulatory capital, deployable excess capital, and good financial flexibility with prudent capital management.

Canadian insurers have bolstered enterprise risk management programs to manage unforeseen and operational challenges, as capital management for the industry has remained robust. Many companies have done a solid job remaining focused on core lines of business and not chasing the hot trends, which could lead to volatility in results or higher capital requirements. Canadian life insurers have maintained an appropriate growth rate in the annuity space. In the US, most of the growth has been supported by asset-intensive annuity business, but the Canadian industry has focused more on mortality business and assets under management fee-based business for growth, which is less capital-intensive. Going forward, AM Best expects continued steady results for the industry with a strong focus on capital protection and digitization enhancements.

Rating Actions

AM Best-rated Canadian life/annuity insurers maintained favorable ratings in 2025 and through the first half of 2026. Rating actions over the past 12 months were all favorable, including one new rating, one outlook change from Stable to Positive, and one upgrade. All Canadian life/annuity insurers currently rated by AM Best continue to have financial strength ratings (FSRs) of A- (Excellent) or higher, including the new rating of Desjardins Financial Security Life Assurance, which was assigned an FSR of "A" (Excellent) in May 2026 (Exhibit 1),

Exhibit 1

Canadian Life – AM Best Ratings

As of August 31, 2026

AMB #	Company Name	Long-Term ICR	FSR	ICR Rating Outlook	Rating Effective Date
08074	Assumption Mutual Life Insurance Company	a-	A-	Stable	10/14/2025
94126	Beneva Inc. (C)	a	A	Stable	12/17/2025
62246	Blumont Annuity Company	a	A	Stable	3/12/2026
66835	BMO Life Assurance Company	a	A	Positive	1/29/2026
06493	Canadian Life Assurance Company	aa	A+	Stable	3/27/2026
66801	Canadian Premier Life Insurance Company	a	A	Stable	12/4/2025
06290	Co-operators Life Insurance Company	a	A	Stable	5/13/2026
66902	Desjardins Financial Security Life Assur (CS)	a+	A	Stable	5/22/2026
66893	First Canadian Insurance Corporation	a	A	Stable	4/7/2026
66847	Foresters Life Insurance Company	a+	A	Stable	10/10/2025
60132	Independent Order of Foresters	a+	A	Stable	10/10/2025
06554	Industrial Alliance Ins & Financial Svcs	aa-	A+	Stable	9/18/2025
66805	ivari	a	A	Stable	7/16/2026
06688	Manufacturers Life Insurance Company	aa-	A+	Stable	12/12/2025
66827	Optimum Reassurance Inc.	a	A	Stable	10/30/2025
66889	PartnerRe Life Reinsurance Co of Canada	aa-	A+	Stable	2/13/2026
60156	Primerica Life Insurance Co of Canada	aa-	A+	Stable	2/26/2026
66806	RBC Life Insurance Company	a+	A	Stable	7/23/2026
66817	RGA Life Reinsurance Company of Canada	aa-	A+	Stable	2/12/2026
07101	Sun Life Assurance Company of Canada	aa	A+	Stable	4/30/2026
66882	TruStage Life of Canada	a+	A	Stable	12/4/2025
60079	Wawanesa Life Insurance Company	a	A	Stable	4/21/2026

CR = Issuer credit rating; FSR = Financial strength rating; u = under review.

Source: 

In January 2026, the outlook of BMO Life Assurance Company's issuer credit rating (ICR) was revised to Positive from Stable due in part to continued favorable earnings bolstering an already very strong level of risk-adjusted capitalization. Most recently in July, ivari was upgraded to an "A" (Excellent) FSR following the company's further integration into its greater organization after being acquired by Sagicor Financial Company Ltd. in 2023. AM Best partly attributes the relatively high ratings distribution for Canadian L/A insurers to Canada's comprehensive regulatory environment, continuing robust risk-adjusted capitalization, and high levels of liquidity.

Operating Performance Growth

Operating performance metrics for the Canadian L/A industry continued grew in 2025. Pre-tax (at 4%) and post-tax (at 7%) operating gains improved modestly from the previous year. Insurance revenue growth was more subtle but still positive from the prior year, up just over 2% to CAD 102.8 billion. This growth, coupled with a modest decline in insurance service expenses, led to a more notable increase in the insurance services result, to CAD 14.5 billion, an increase of 12% from the prior year. Further bolstering overall operating results was the continued growth in net fee income, which saw an improvement of approximately 4% from 2024. Lastly, a top focus for many in the Canadian L/A industry has been growth in their contractual service margin (CSM), representing future profits to be realized over time. This, too, saw notable growth over the previous year to CAD 73.3 billion, representing a 6% increase. Offsetting the growth in revenues, insurance service results, and net fee income growth was a decrease in net investment results when compared to 2024. While the total investment return for the industry grew slightly on a larger asset base, this increase was more than offset by higher net expenses during the year (**Exhibit 2**).

Of the CAD 102.8 billion in insurance revenues, group life insurance continued to be the leading line of business with just over CAD 33 billion despite essentially no growth from the previous year. Individual life insurance grew 7% growth, leading to CAD 31 billion being attributed to the line. Together, non-participating Canadian group and individual life insurance made up 63% of total revenues. European and Asian business followed with CAD 13 billion and 10 billion in revenues, respectively. These international business lines continue to see faster revenue growth than the mature Canadian life market, with European revenues growing over 8% in 2025 and Asian revenues growing nearly 18% in the same period. With the exception of relatively small revenue amounts for participating business and lines categorized as "other", the group and individual annuity lines make up the remaining portion of total insurance revenues with CAD 7.4 billion and 5 billion, respectively. While notably smaller than traditional life revenues, the return on revenues for the annuity business in 2025 was materially more favorable. The combined individual and group pre-tax operating gains represented a nearly 17% return on revenues compared to a roughly 8% return for combined individual and group life insurance lines (**Exhibit 3**).

Capital Remains Robust

Canada's L/A insurers largely maintained their favorable capital positions as evidenced by multiple risk-adjusted

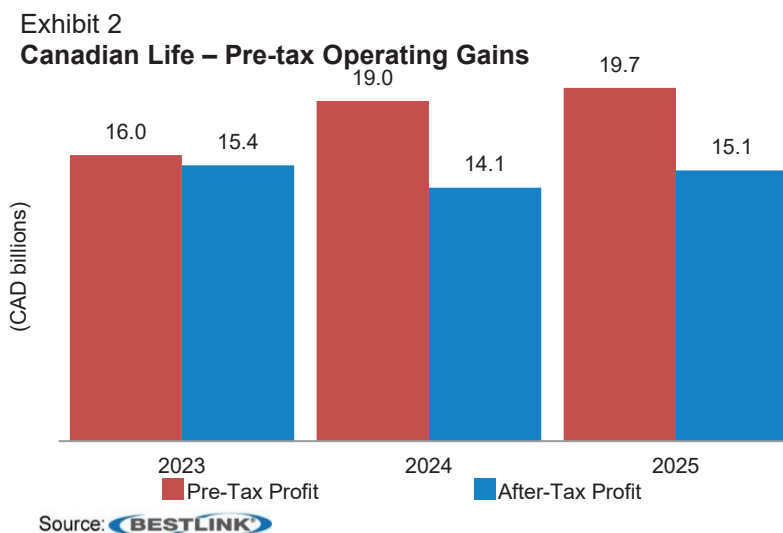
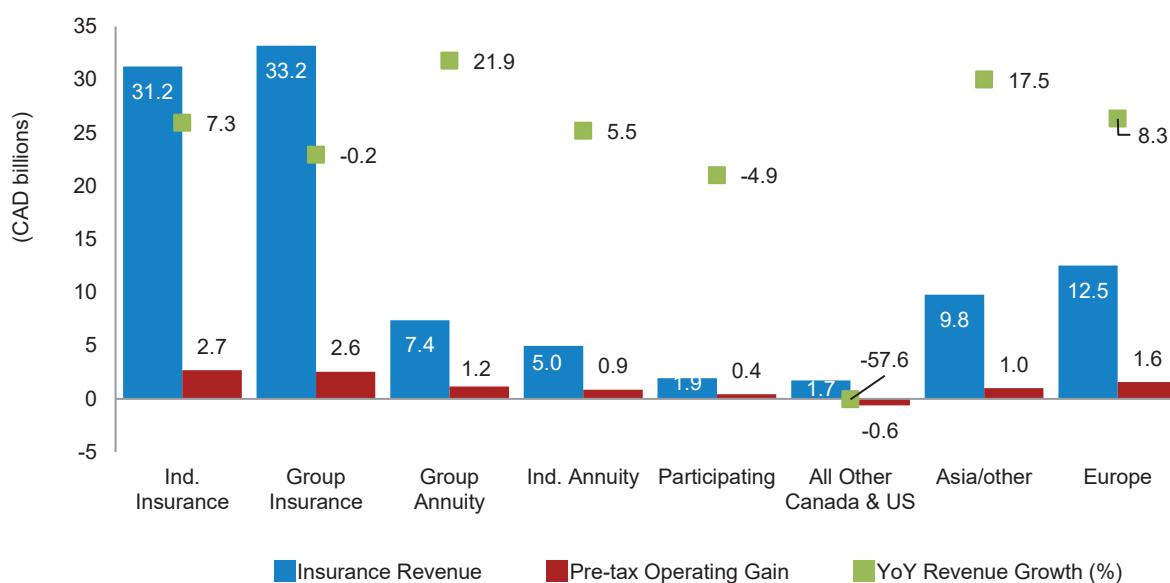


Exhibit 3

Canadian Life – Insurance Revenue and Pretax Operating Gains by Line of Business, 2025

capital model results. The regulatory prescribed Life Insurance Capital Adequacy Test (LICAT) from Canada's Office of the Superintendent of Financial Institutions (OSFI) and the Capital Adequacy Requirements Guideline for Life and Health Insurance ratios (CARLI) from the Autorité des Marchés Financiers (AMF) have been maintained by AM Best-rated insurers notably above supervisory targets. The four largest Canadian L/A insurers have all maintained an operating company LICAT above 125% as of 2Q 2026. Similarly, AM Best's BCAR model results have also remained largely stable or improved from the previous year. AM Best notes that some of these improvements in BCAR scores were driven by additional CSM equity credit as the previous allowance of up to 50% was changed to a maximum of 75% beginning in 2025, thus boosting available capital. This change was implemented to better align with OSFI treating 100% of CSM toward available capital when calculating LICAT ratios while also remaining more punitive and acknowledging CSM as a form of soft capital that only becomes true available capital over time.

Strong capitalization has anchored Canadian L/A ratings over the long term despite some accounting noise during the transition to IFRS 17 reporting in 2023. Total equity for the industry in 2025 remained largely flat but continues to be supported by net income growth. Given this continued growth over the past several years, most of the large publicly traded Canadian L/A insurers have elected to buy back a notable percentage of outstanding shares with what they see as excess capital. Furthermore, those with easy access to capital markets have generally maintained adequate financial leverage, as they have been slightly more hesitant to issue new debt due to the rising costs, leading to moderately lower leverage ratios over time. Lastly, merger and acquisition activity has continued to be steady, particularly in acquiring private credit and asset management platforms. AM Best expects there may be additional appetite for bolt-on transactions to support growth and deploy capital going forward but are specific to individual company objectives and strategy.

Steady Investment Strategies

Interest rates have remained steady recently and have provided solid yields for the L/A industry. The long-term nature of the liabilities and many investments held on carriers' balance sheets make

taking advantage of the rate environment gradual as proceeds from maturing assets with lower rates get reinvested in the current higher-rate environment (**Exhibit 4**). The Canadian L/A segment produced a roughly 33% year-over-year improvement in net investment results in 2024, rising to CAD 8.9 billion from 6.7 billion before falling

back to just over 6.7 billion in 2025, representing a 24% decline. Interest revenue on financial assets not measured at fair value through profit or loss did see growth, however, with a nearly 5% increase from the previous year to CAD 33.2 billion. Investment income in segregated funds also saw some growth (3%), to CAD 76.5 billion, offset by a decline of just under 12% in investment income, excluding segregated funds, to CAD 14.5 billion.

Overall total investment returns were slightly higher than the previous year, up just over 1% to CAD 124 billion, which were outpaced by net finance expenses, which rose 4% to CAD 116 billion. In addition, total assets grew 6.3% from CAD 2.1 billion in 2024 to CAD 2.3 billion in 2025, driven by solid new business growth.

Invested asset allocation has remained fairly consistent year to year and the Canadian life insurance industry has not seen holistic changes in insurance product liability profiles. Bonds continue to generate a large portion of investment returns, making up 67% of total holdings for year-end 2025. Private corporate bond allocation is 17% of the industry's allocation in Canada (**Exhibit 5**). This is below allocation holdings in the United States, which is approximately 32% where we have seen private bond allocations increase. Federal, provincial, and municipal bonds saw a modest decline in allocation, from 21.3% in 2024 to 20.1% in 2025

Below investment grade bond holdings held largely steady relative to total bond holdings, at roughly 2%, which in contrast is only half of the industry average for US-based L/A carriers. These holdings as a percentage of total equity, however, have seen modest growth over time, to nearly 12% at year-end 2025, up from 10% from five years prior. Other asset class holdings typically viewed as medium- to higher-risk saw modest movements in allocation for 2025, including mortgage loans to 11.2% from 10.6%, affiliated and other to 6.2% from 6.7%, and equities to 9.9% from 8.9%.

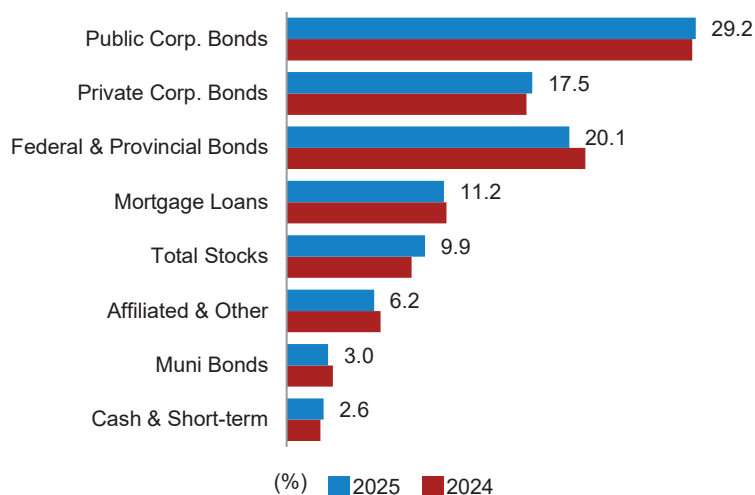
AM Best continues to monitor mortgage loans and real estate holdings due to lingering concerns but that allocation has performed

Exhibit 4
Canadian Life – Balance Sheet
(CAD billions)

	2025	2024	\$CAD Change from 2024	YoY % Change
Total Equity	139.3	141.1	-1.8	-1.3
Investments	965.2	925.6	39.6	4.3
Segregated Funds	1049.6	955.8	93.8	9.8
Total Assets	2,307.6	2,171.4	136.2	6.3

Source: 

Exhibit 5
Canadian Life – Distribution of Invested Assets



Source: 

well with minimal defaults and delinquencies. Any negative impacts from these properties to date have been largely mitigated by both strict underwriting standards leading to continued favorable performance and substantial diversification of property type and geographic location. Equity allocation gains have been driven by continued favorable market returns over the previous three years, with the S&P/TSX composite returning over 21% in 2024 and nearly 27% in 2025, and over 18% returns within the US S&P 500 in both 2024 and 2025.

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