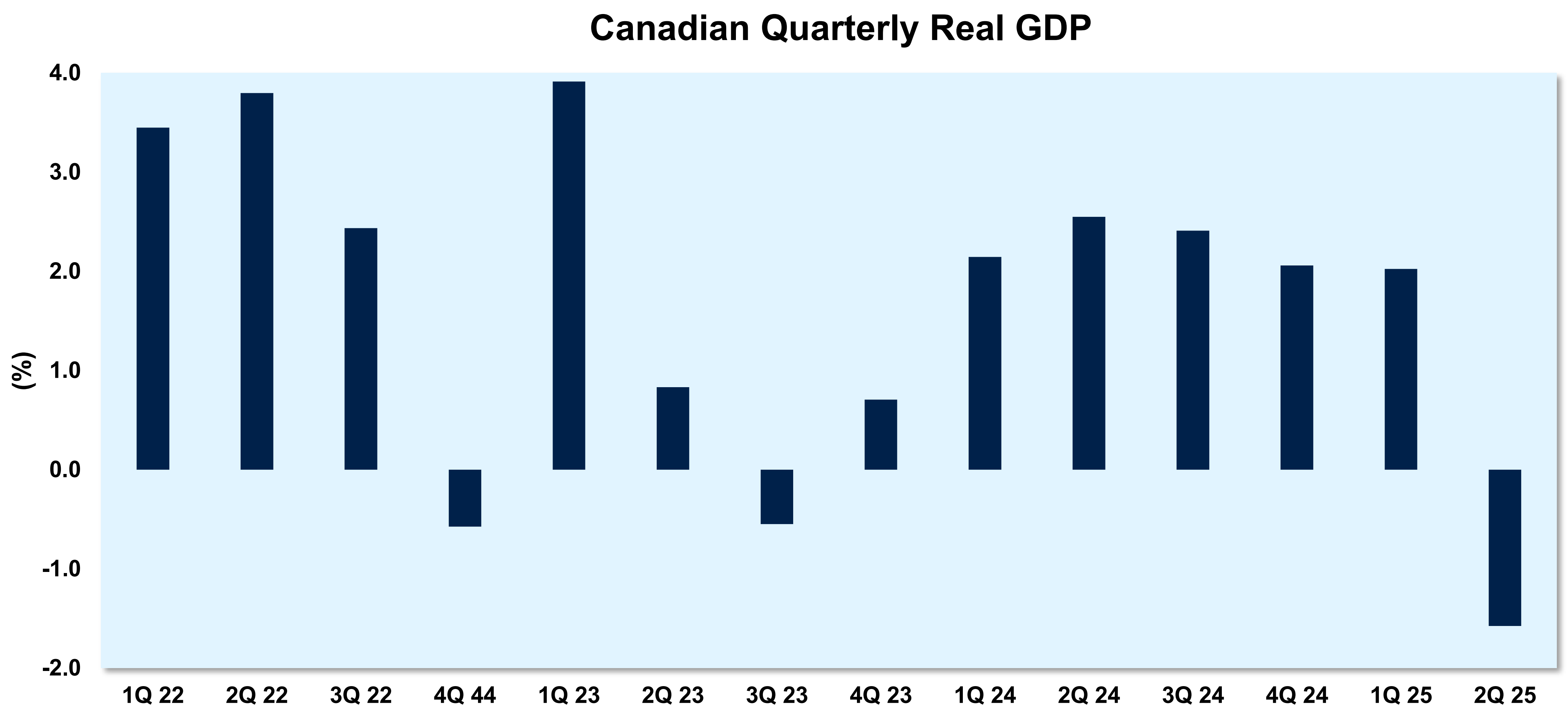
Welcome & Canadian Economic Outlook

Jeff Mango – Managing Director, AM Best

October 30, 2025

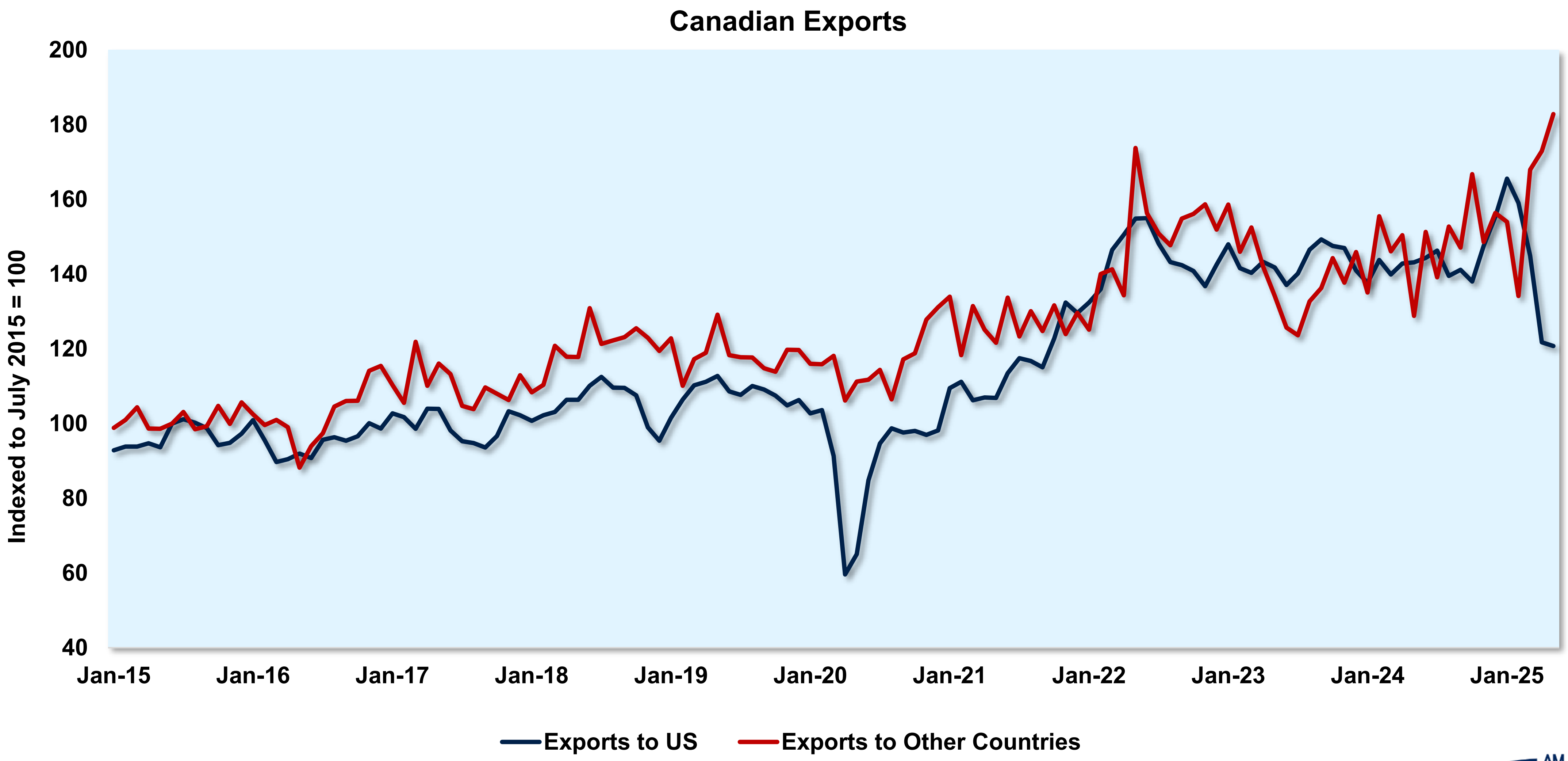
AM Best Canadian Market Briefing

US Tariffs Contribute to Slowdown

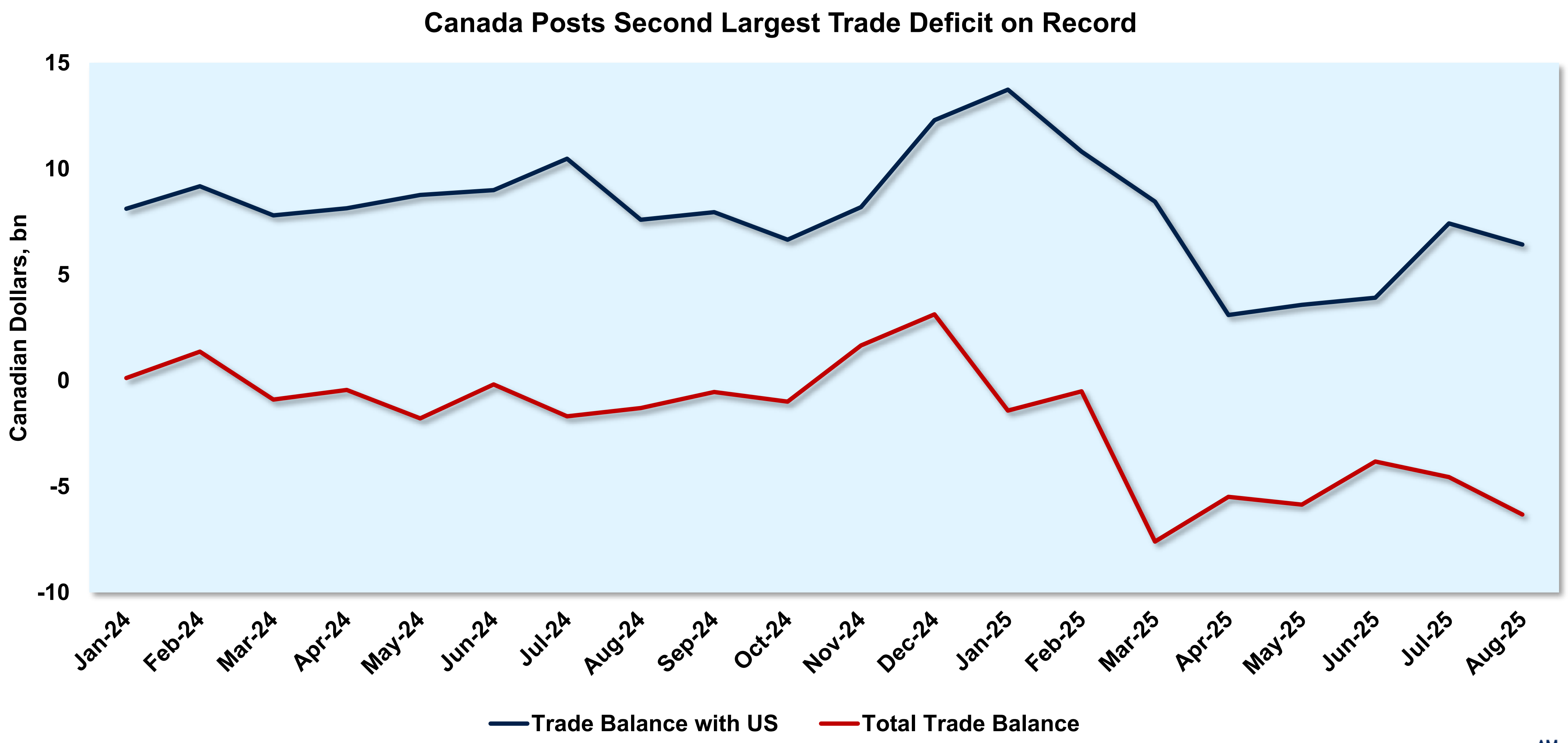


US Accounts for over 75% of Total Canadian Exports

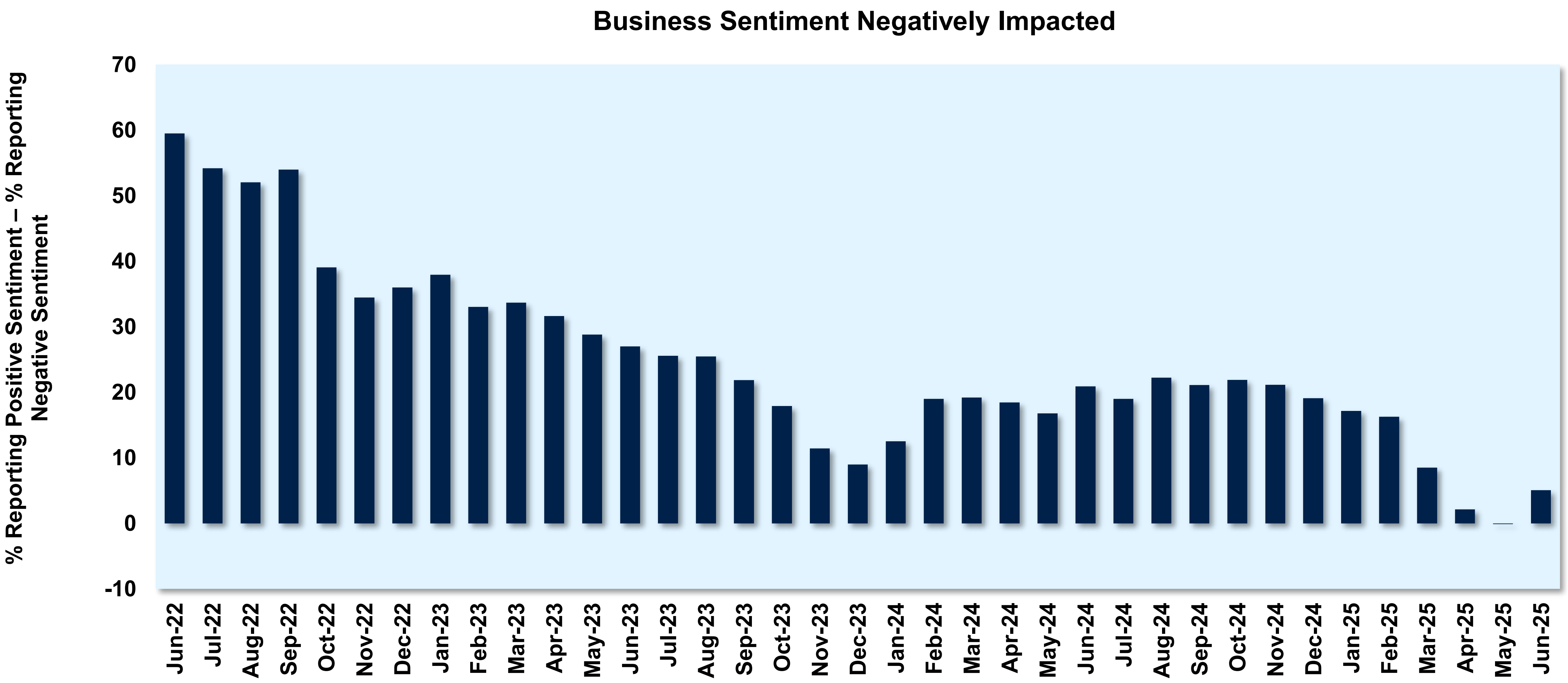
Exports to US Fall Significantly



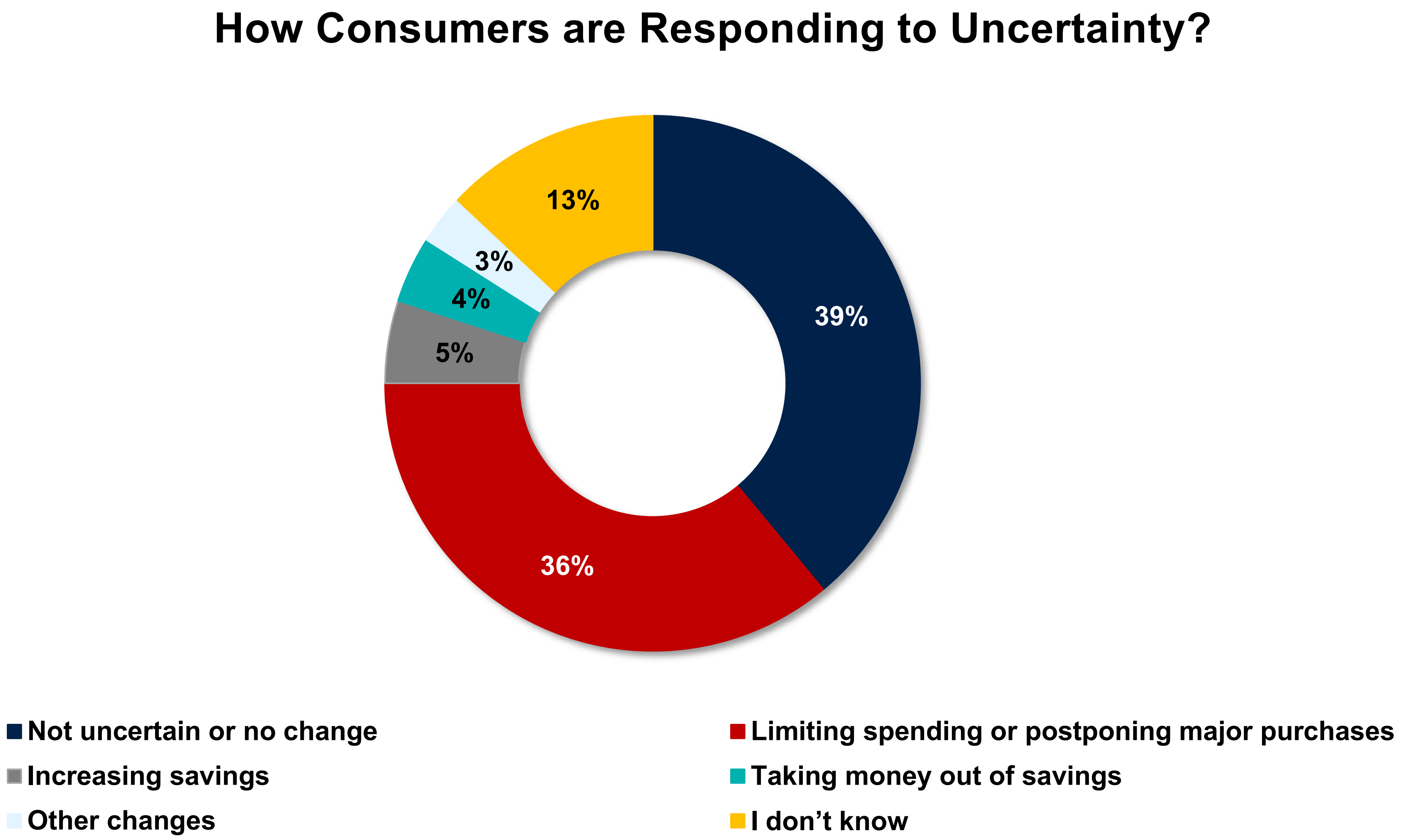
Trade Balances



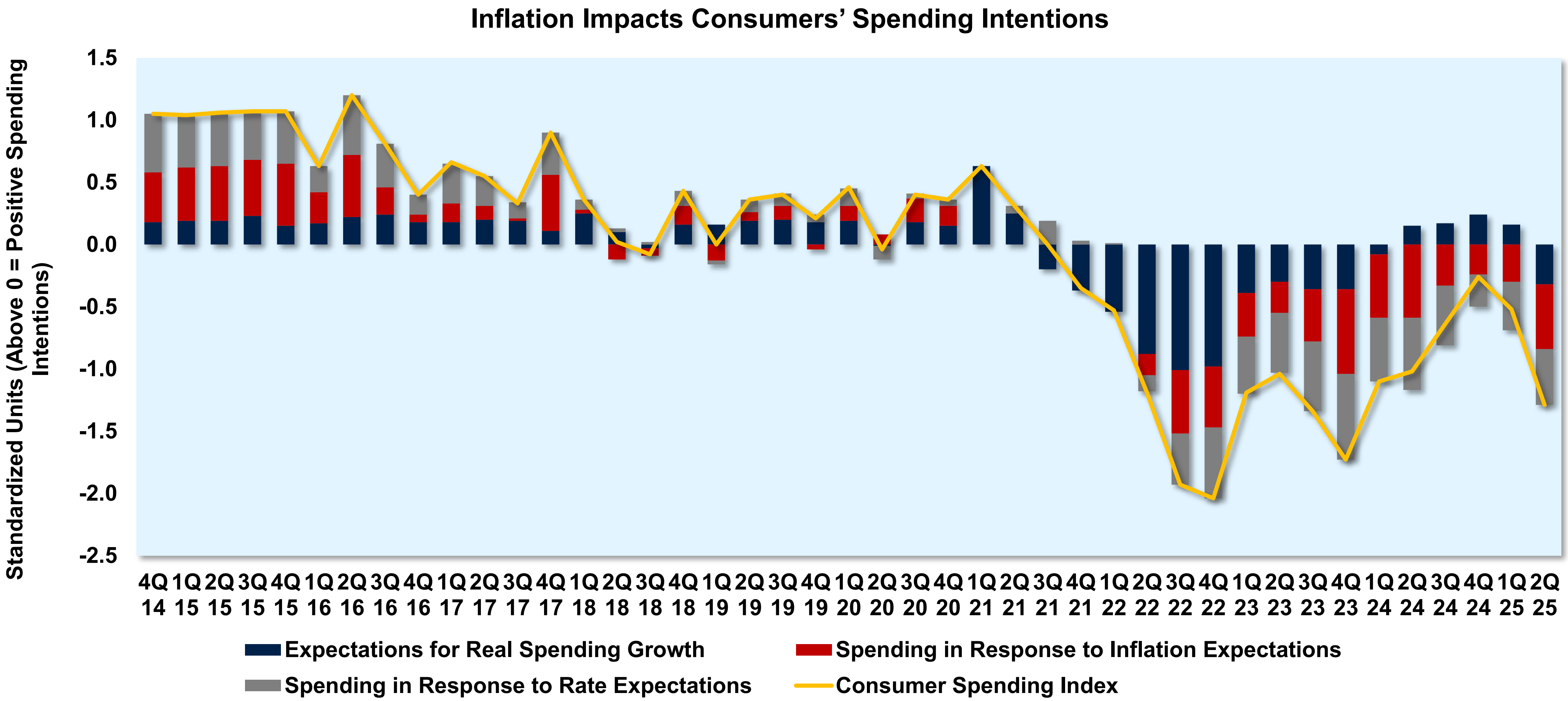
Business Outlook Survey



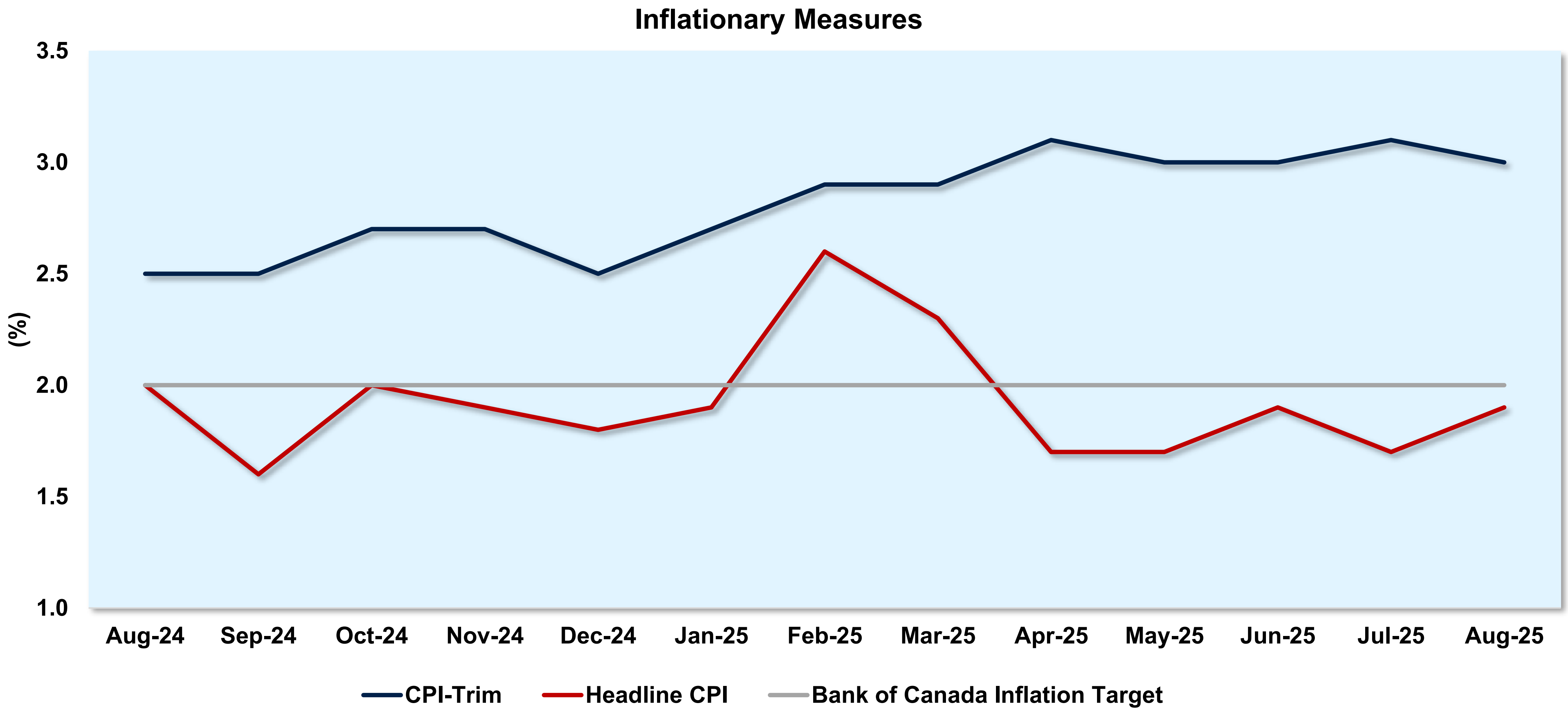
Consumer Survey



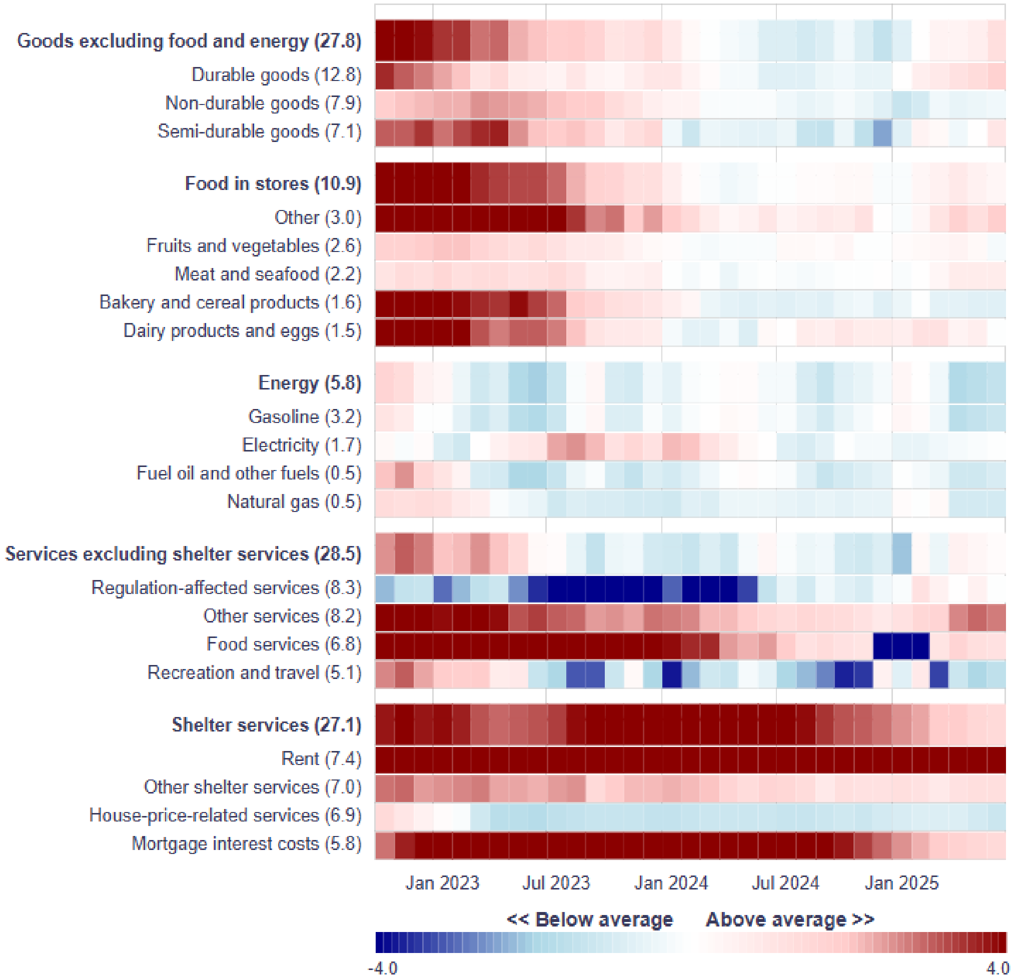
Trade Tensions Cause Concerns for Consumers



Are Inflationary Pressures Rising?



Shelter Inflation Remains Persistent

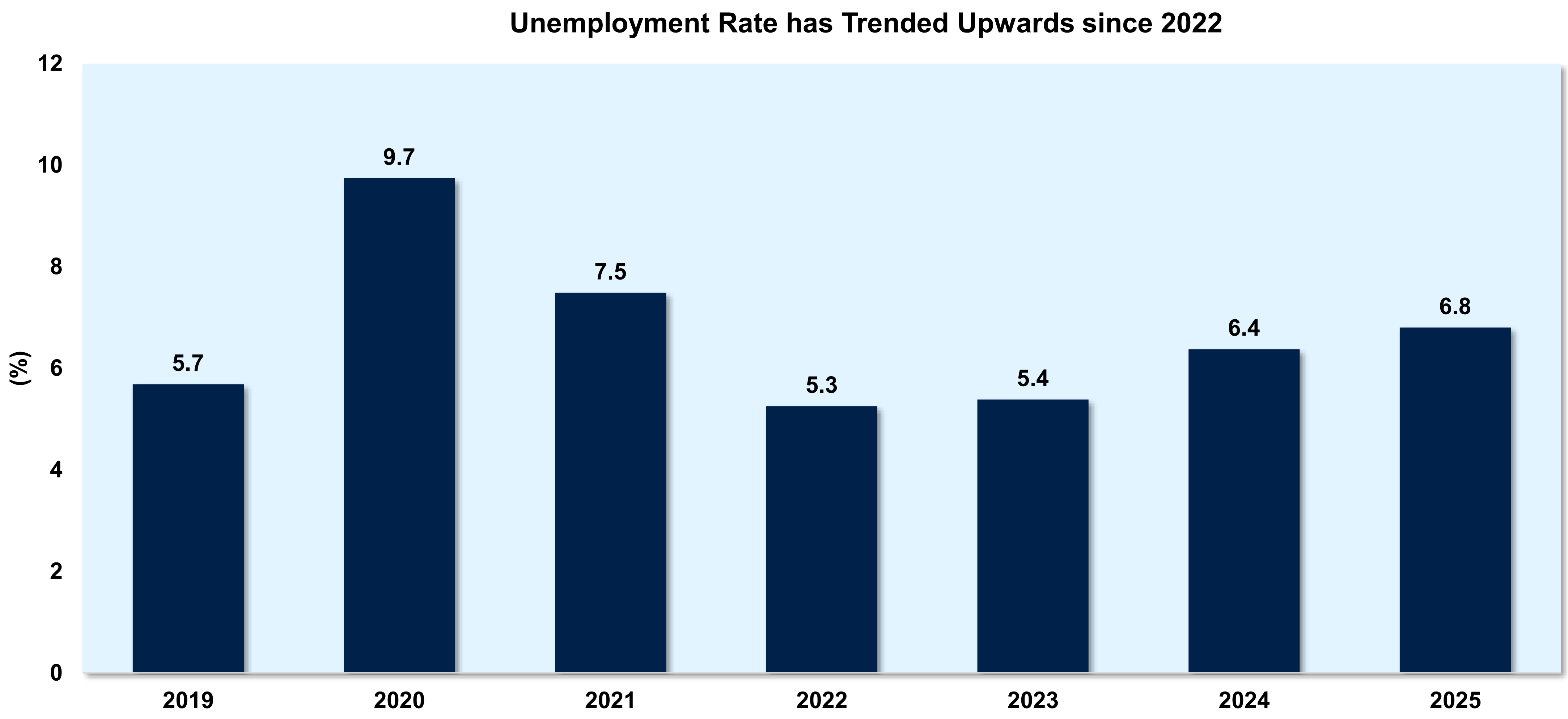


- Color is white when a component's inflation rate is close to its average and is a varying shade of **BLUE**/**RED** when the rate is **BELOW**/**ABOVE** the average
  - **Energy**
  - **Shelter**

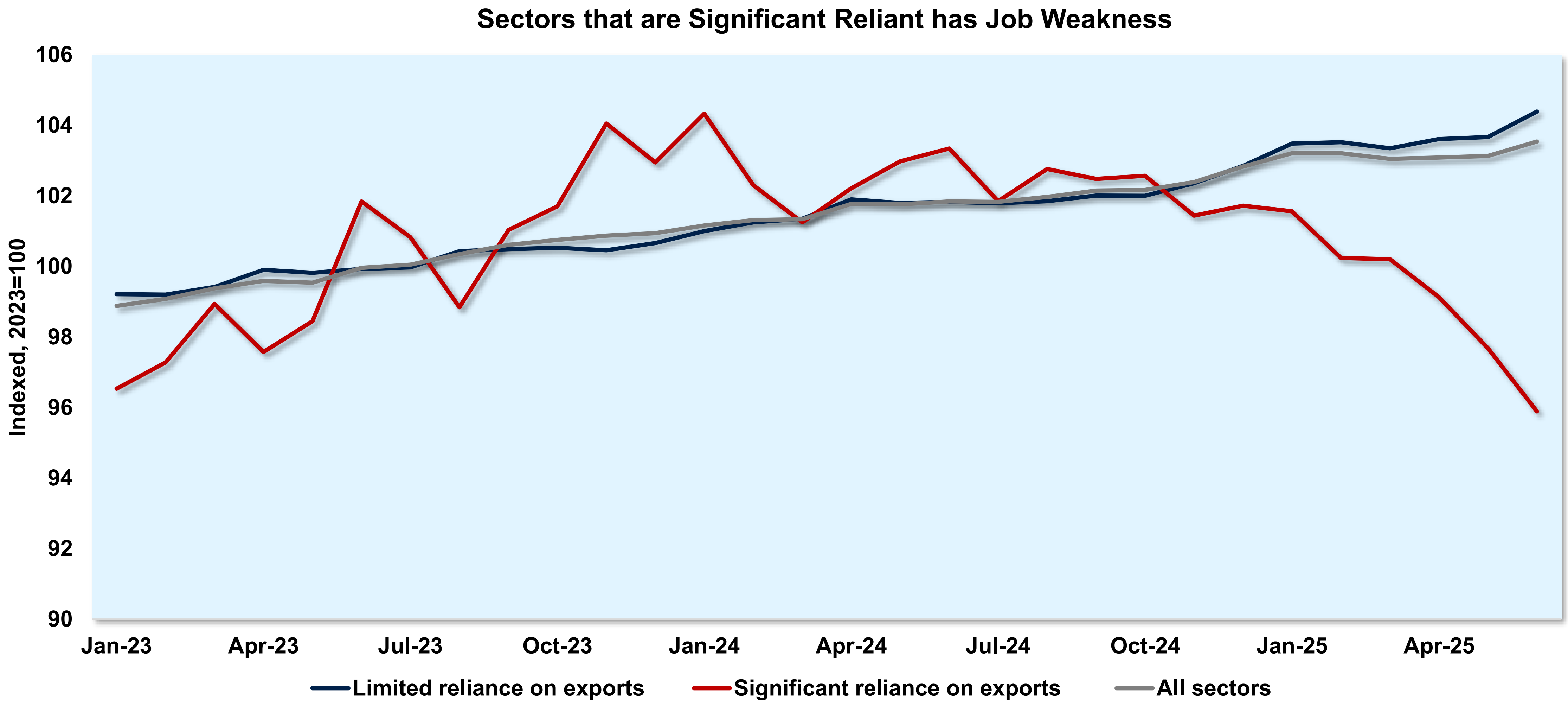
Source: Bank of Canada

Firms are Absorbing Increased Costs (For Now)

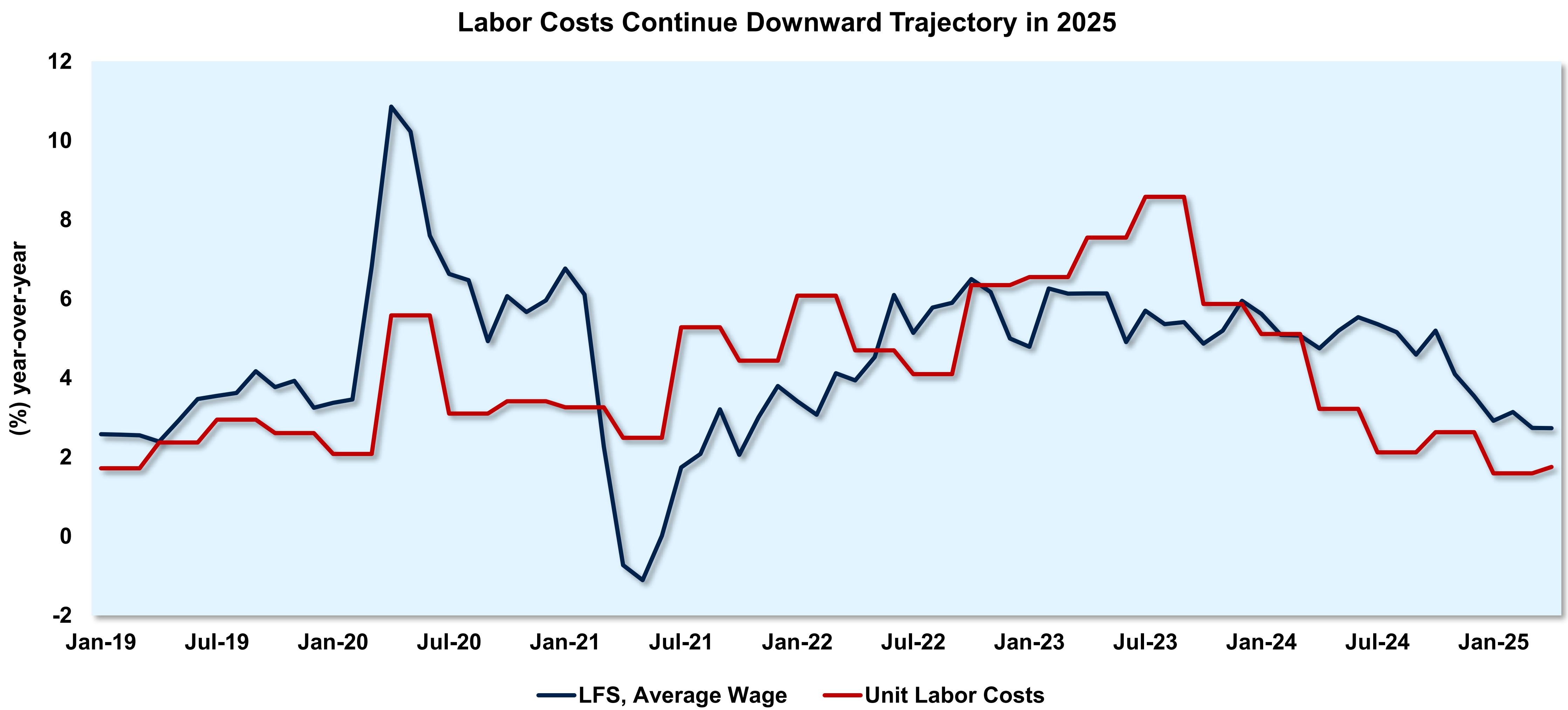
Unemployment Rate



Impact to Employment Exposed to US Trade

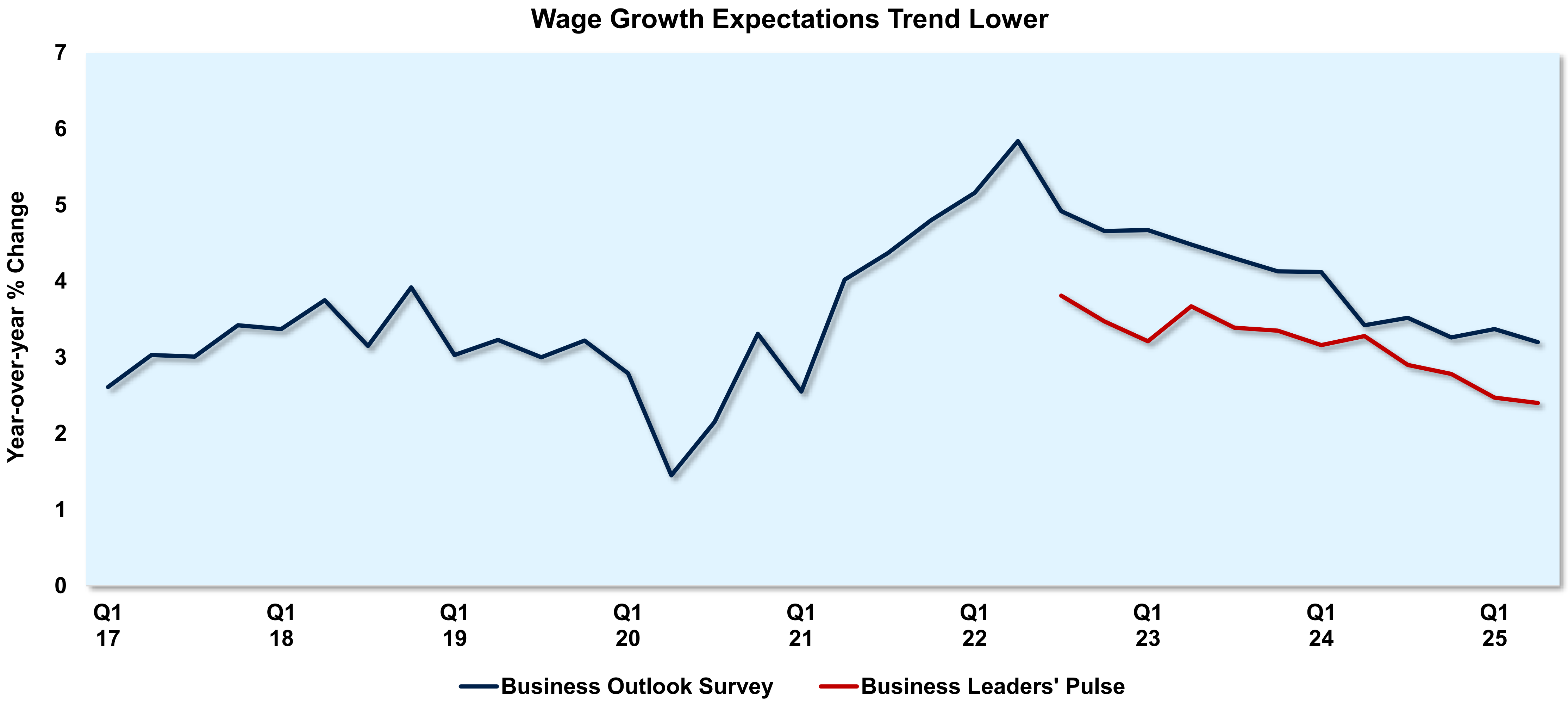


Wages

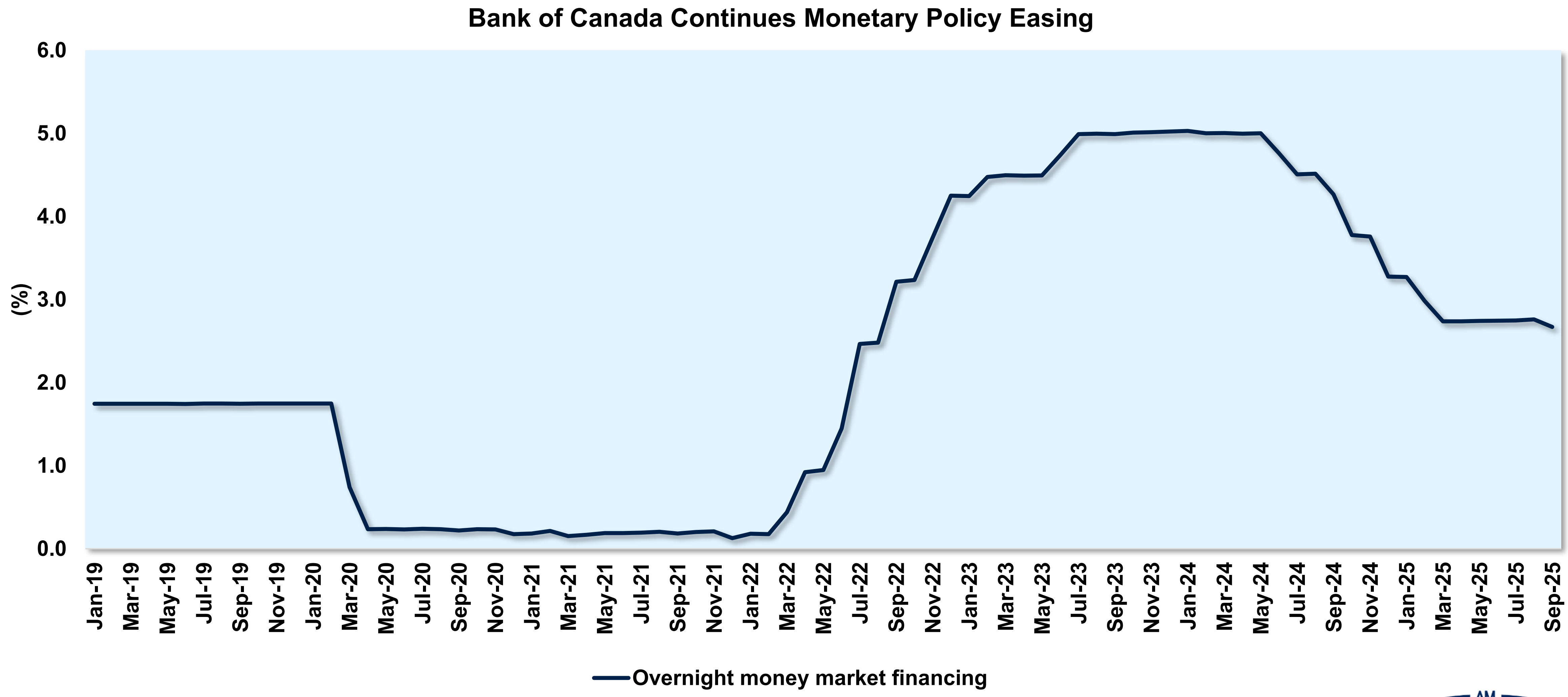


Labor Costs Continue Downward Trajectory in 2025
12
10
8
6
4
2
0
-2
(%) year-over-year
Jan-19
Jul-19
Jan-20
Jul-20
Jan-21
Jul-21
Jan-22
Jul-22
Jan-23
Jul-23
Jan-24
Jul-24
Jan-25
LFS, Average Wage
Unit Labor Costs

Wage Growth Expectations



Bank of Canada Continues Monetary Easing



Q&A

Thank You

Canadian Life Update & Outlook

Edward Kohlberg – Director, AM Best
Kevin Varvaro – Senior Financial Analyst, AM Best

October 30, 2025

Agenda

Industry Observations and Outlook

Ratings Distribution

Canadian Life Results Overview

Canadian Life – Headwinds/Tailwinds

Headwinds	Tailwinds
Macroeconomic Challenges	Solid Capitalization
Increased Investment Risk Concerns	Diversification
Market Competition Remains Robust	Continued Profitability
Potential For Further Interest Rate Cuts	Life Premium Growth
Increased Tech Costs	Solid Enterprise Risk Management Capabilities

Top 5 Trends Impacting the North American Life/Annuity Segment

Robust Annuity Sales

Private Credit

Digitalization

Scale Matters

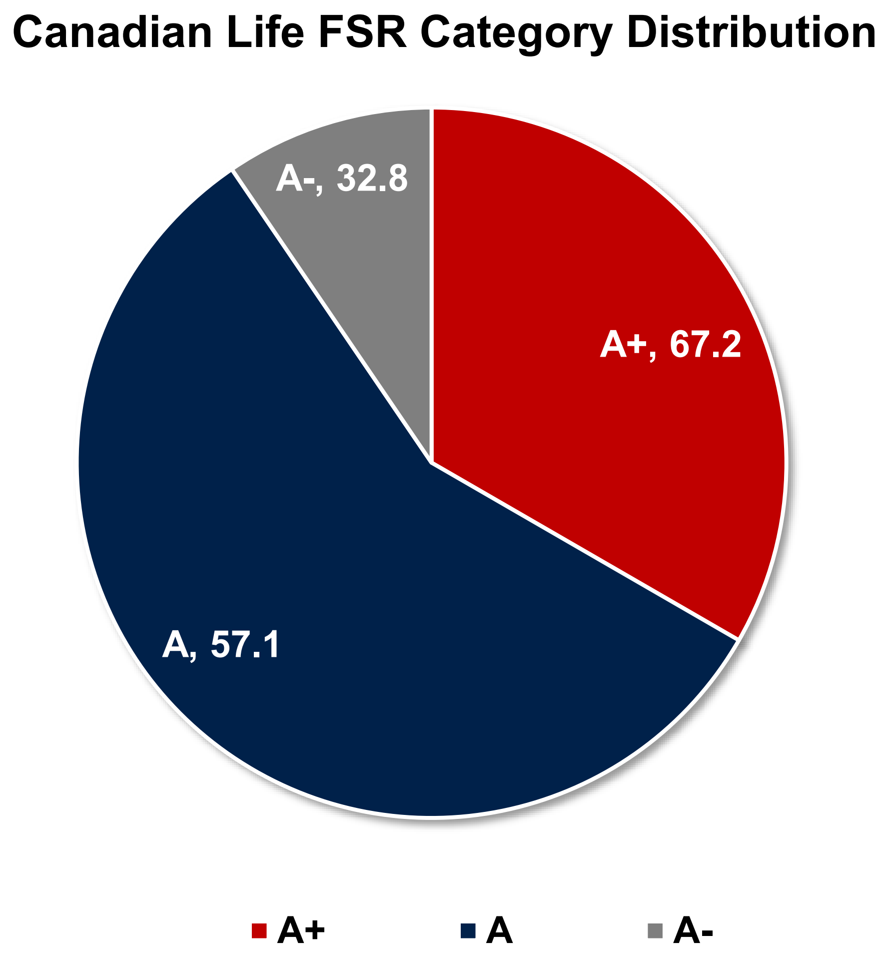
Offshore Reinsurance

AM Best Canadian Life Market Outlook

AM Best is maintaining its Stable outlook for the Canadian life market segment, based on the following factors:

- Prudent regulatory capital levels and financial flexibility to support steady growth
- Diversified and favorable earnings
- Top line growth through an ERM focus

Distribution of Ratings (%)



Capital Management

Dividends

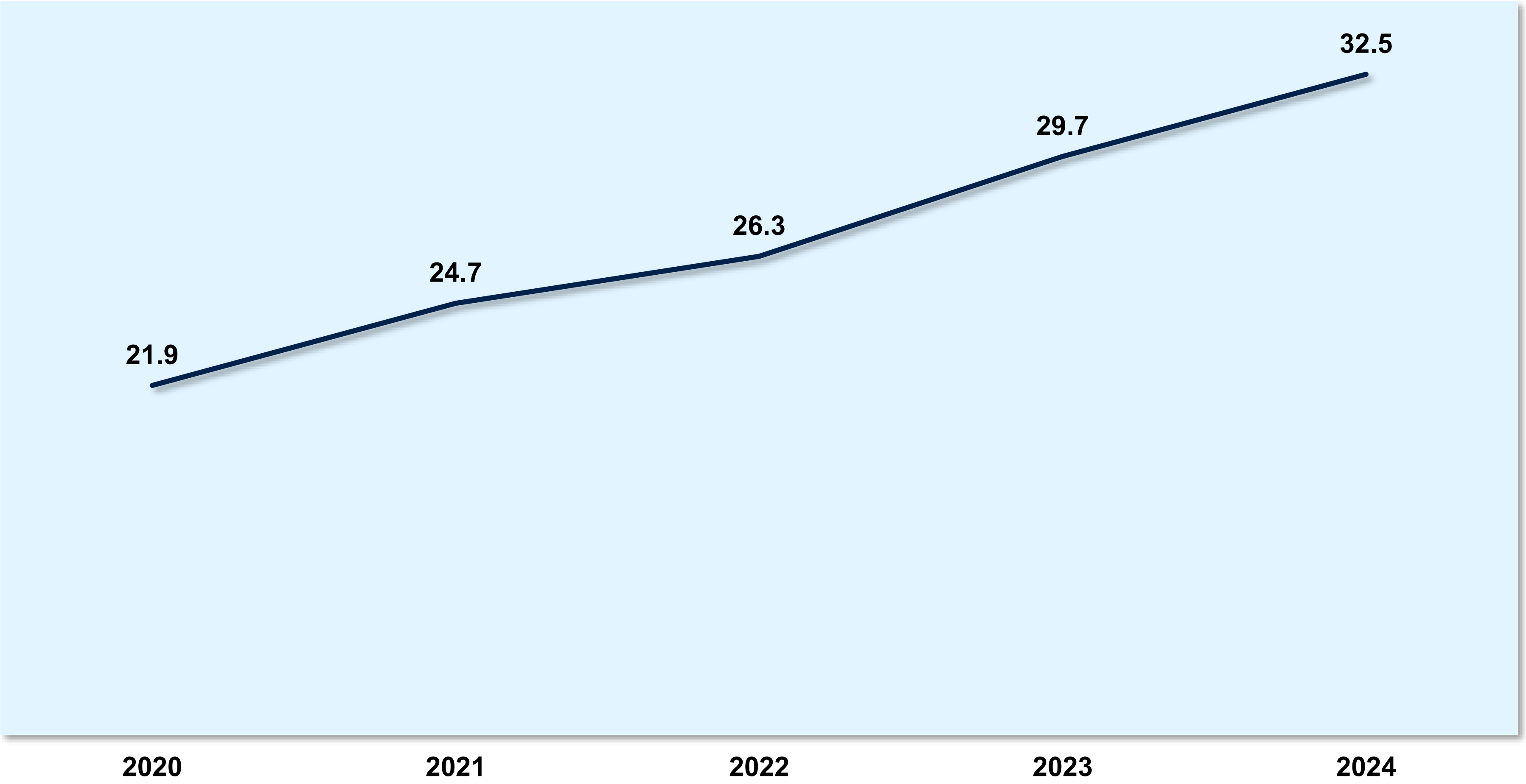
Share Buybacks

Debt Financing

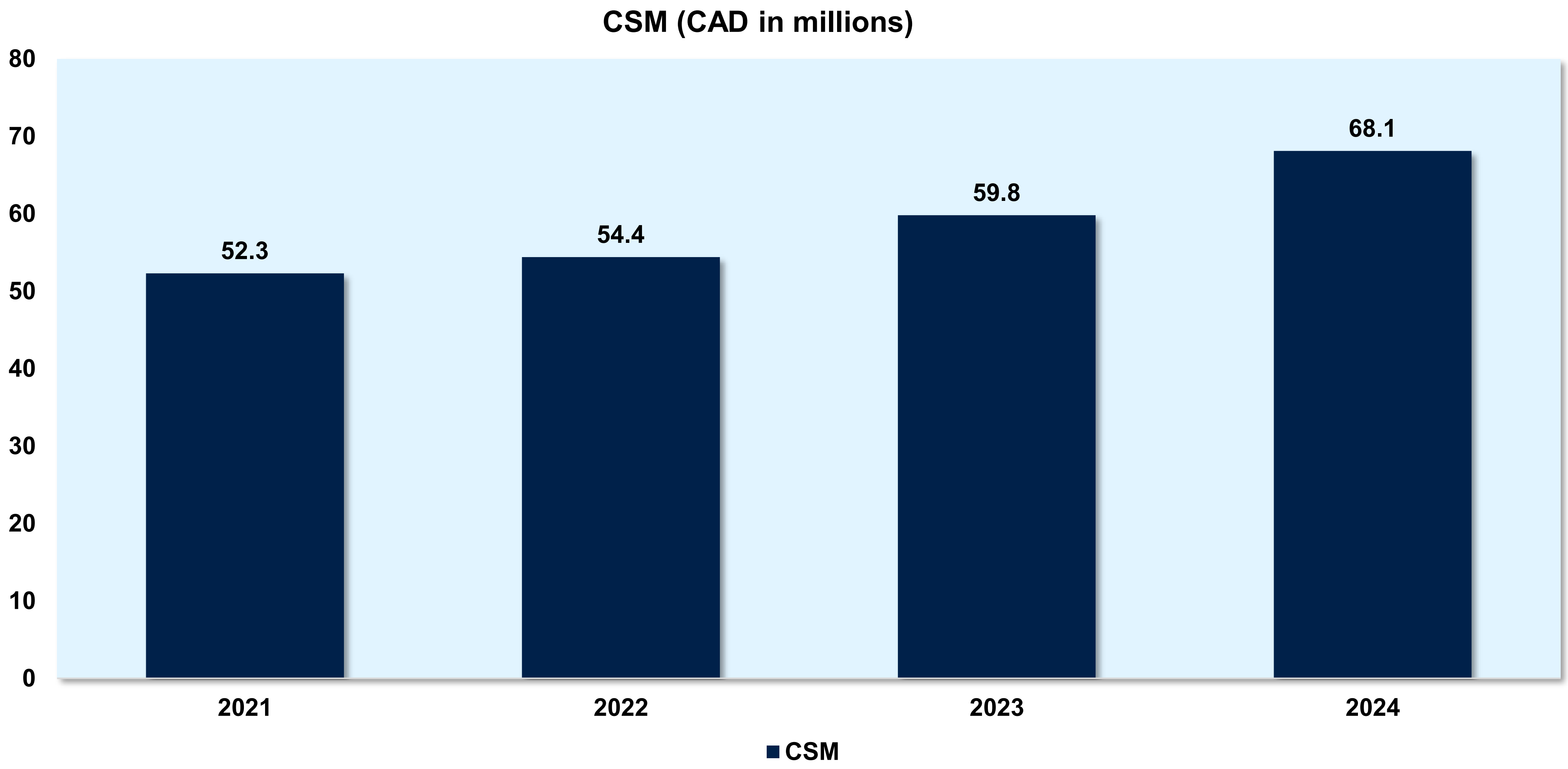
Capital Development

Capital Preservation

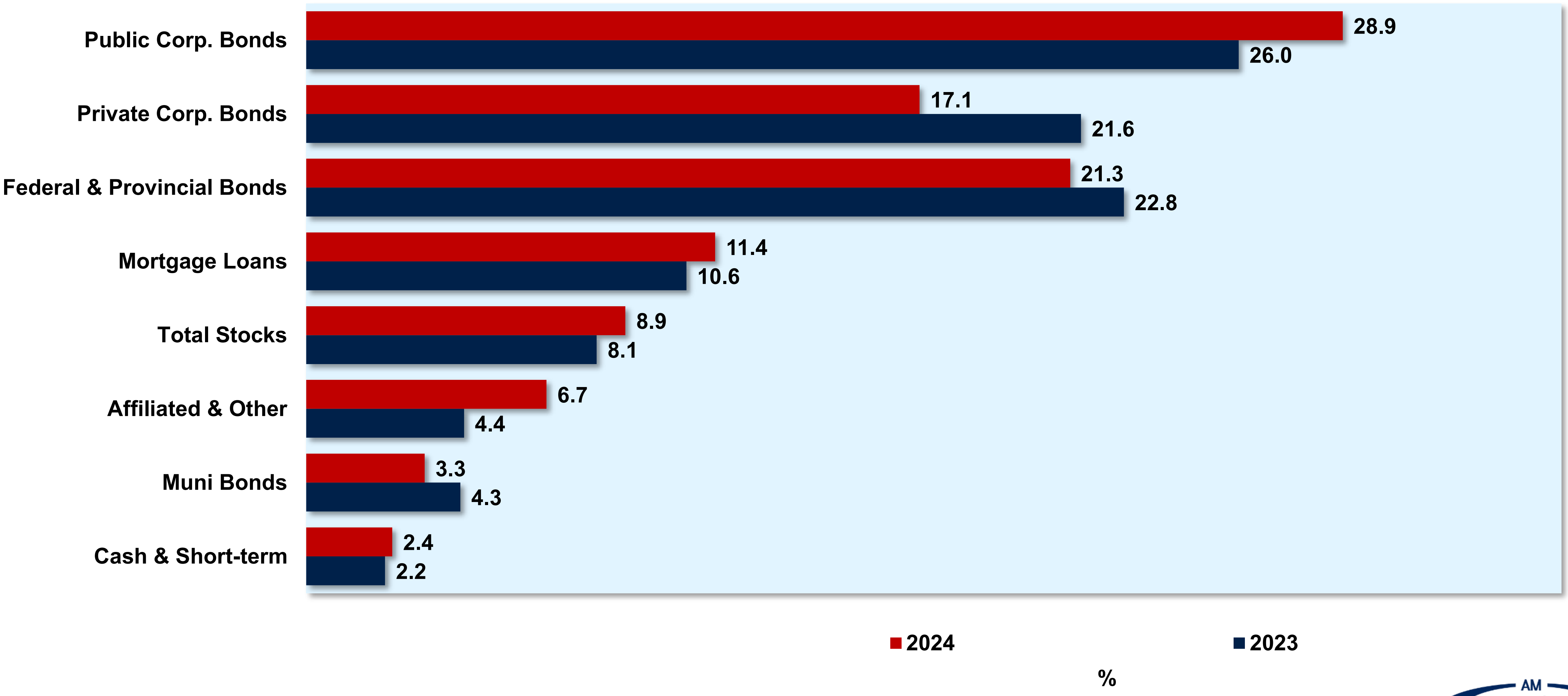
Average BCAR Score at 99.6 VAR



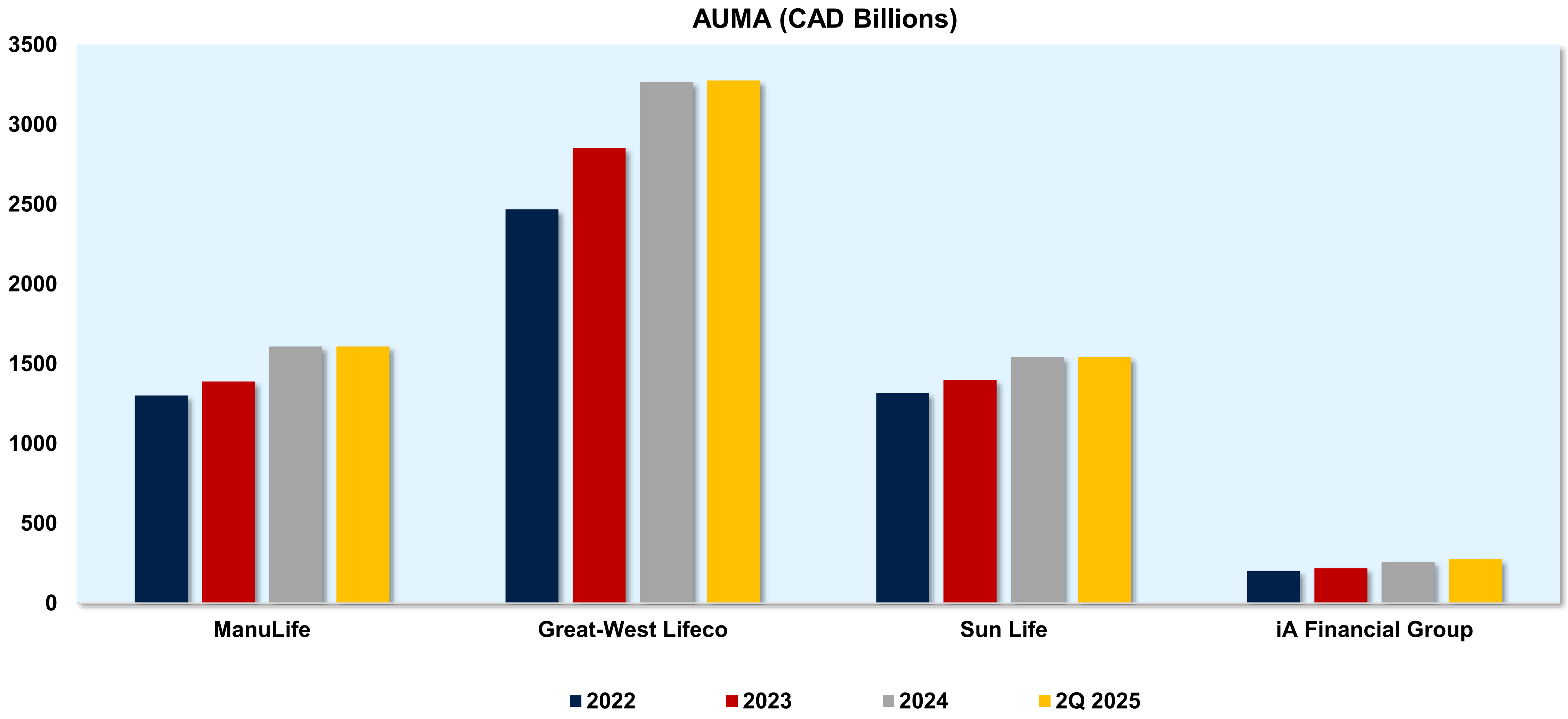
Canadian Life – CSM Balance



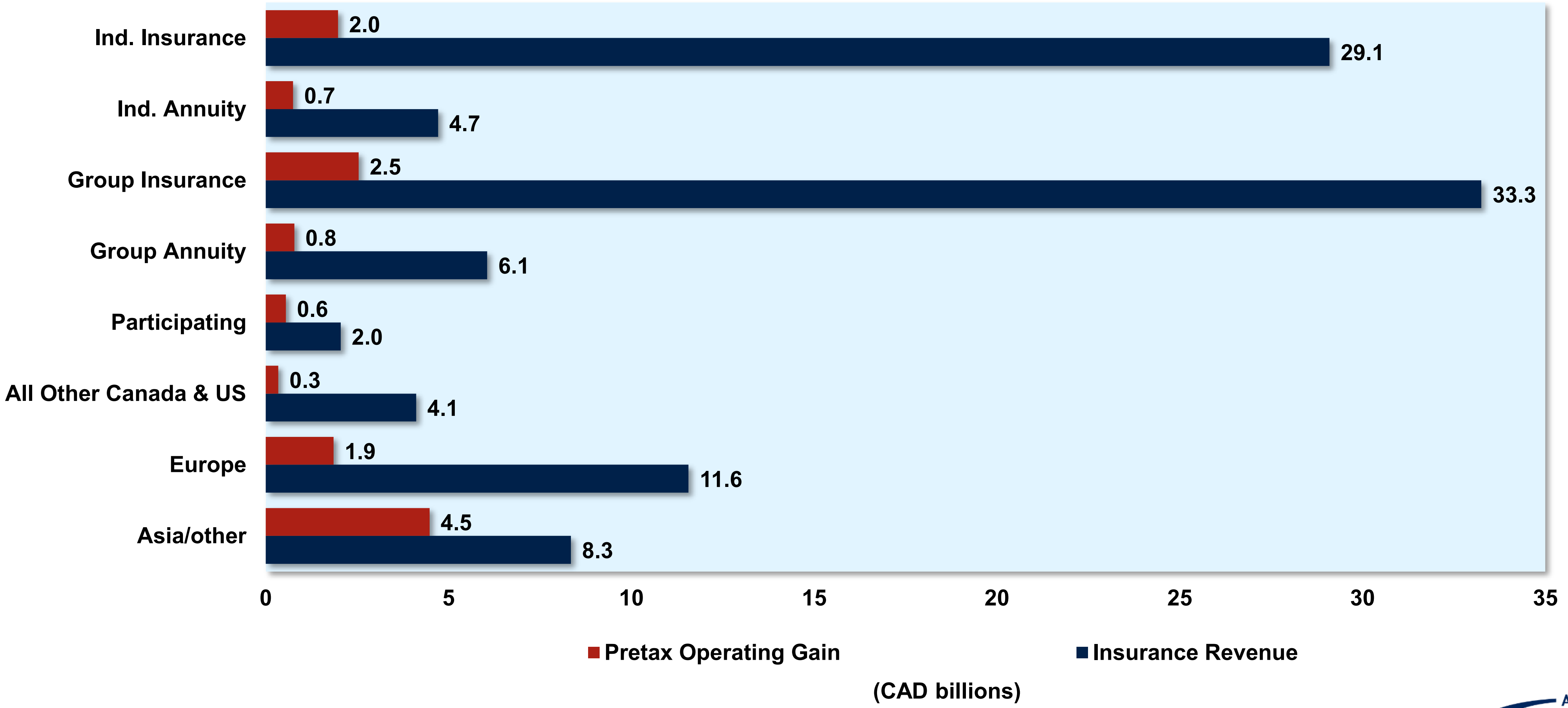
Invested Assets



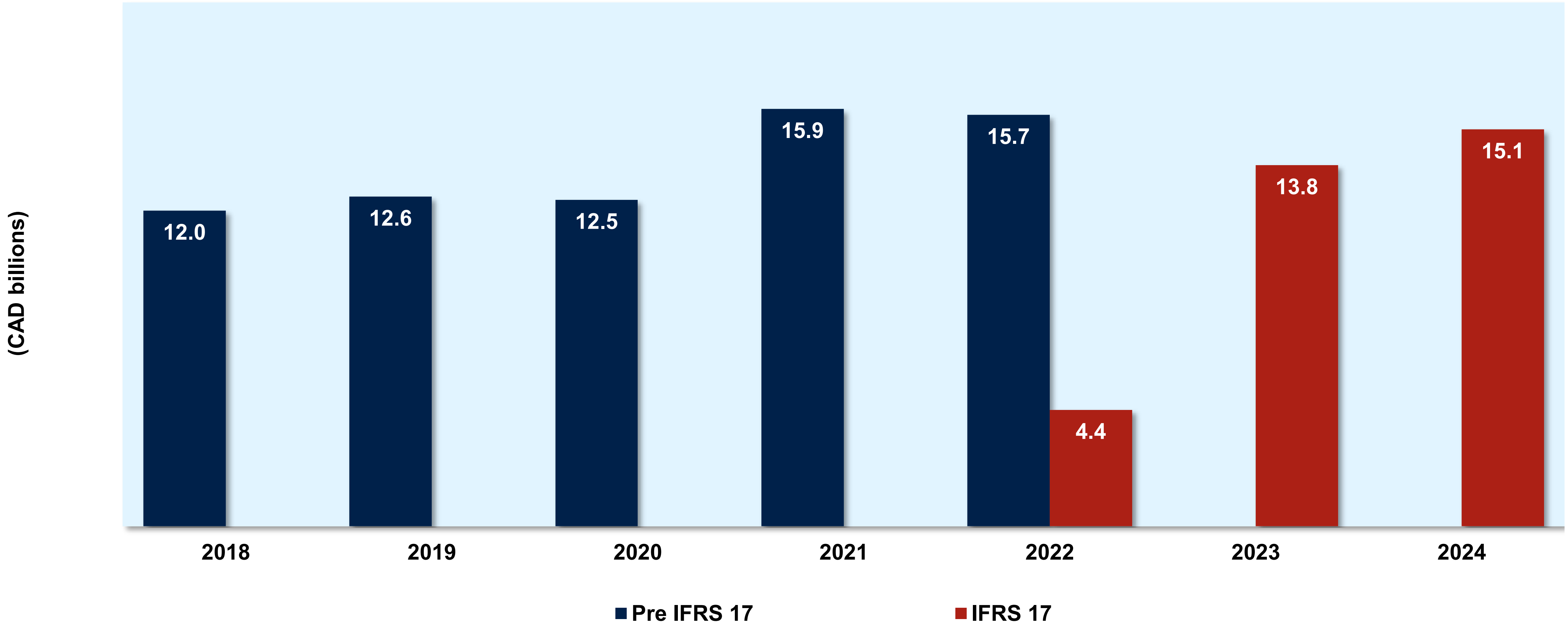
Big Four Canadian Companies AUMA



Canadian Life - Insurance Revenue and Pretax Operating Gains by Line of Business, 2024



Canadian Life – Net Income



IFRS 17

Key Metrics to Focus On

Capital Remained Strong

AM Best’s CSM View

Comparability

Q&A

Thank You

Canadian Property/Casualty Update & Outlook

Alan Murray – Director, AM Best
Cristian Sieira – Senior Financial Analyst, AM Best

October 30, 2025

AM Best Canadian Market Briefing

Agenda

- Canadian Property/Casualty Outlook
- Property/Casualty 2024 Year in Review
- Reinsurance

Canadian Property/Casualty Outlook Stable

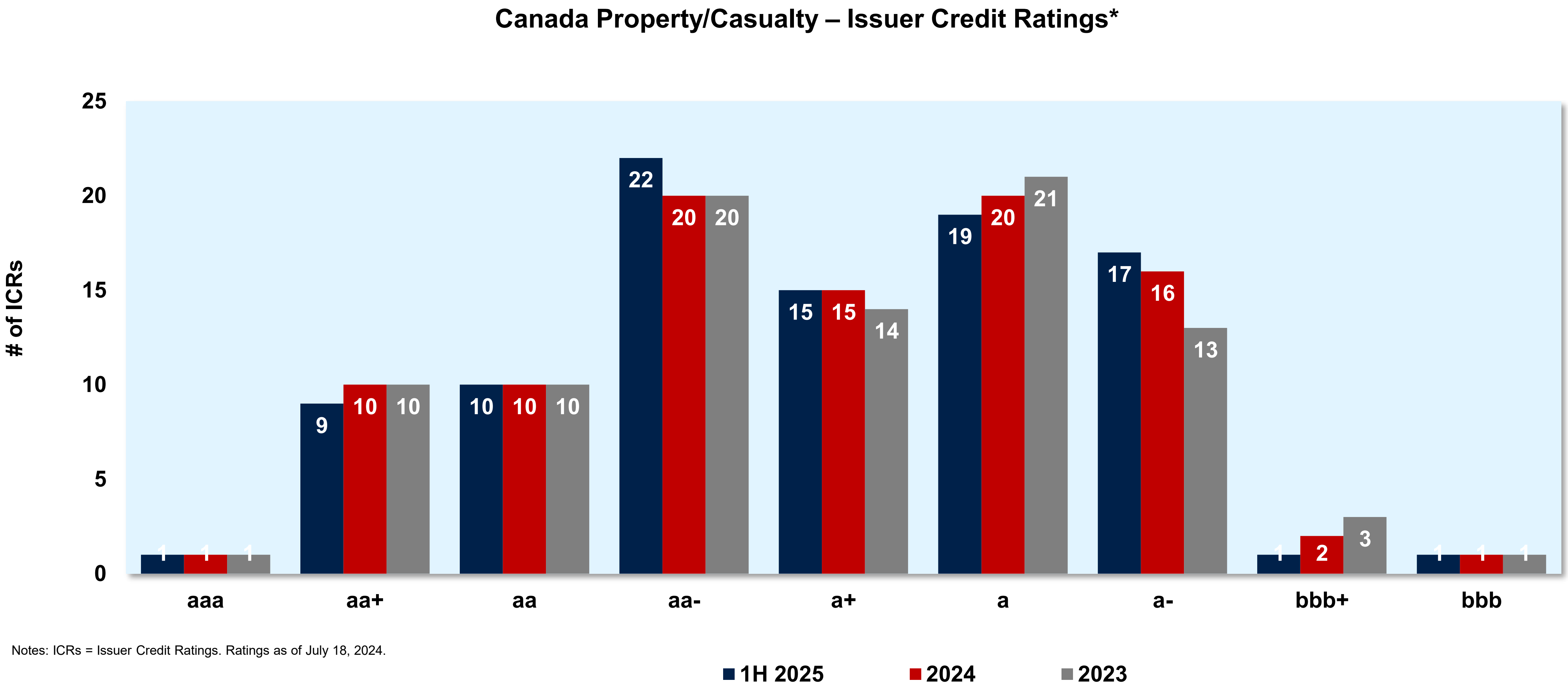
Headwinds	Tailwinds
Rising Cat Frequency and Severity	Robust Risk-Adjusted Capitalization
Challenges in Personal Auto	Resilient Underwriting/Operating Performance
Economic Volatility	Favorable Investment Returns
AI/Cyber Related Risks	Adequate Reinsurance Capacity
Geopolitical Risks	Improving Regulatory Framework

Top 10 Property/Casualty Insurers in Canada

Canadian P/C Market Share - Top 10 at Year End 2024*			
Rank	Group/Company	Total Insurance Revenue (C$000)	Market Share (%)
1	Intact	16,101,298	16.1
2	Aviva	7,573,034	7.6
3	Desjardins	7,472,017	7.5
4	TD	5,545,422	5.6
5	Co-operators	5,350,461	5.4
6	Definity	4,253,980	4.3
7	Wawanesa	3,669,765	3.7
8	Northbridge	3,353,916	3.4
9	Allstate	2,944,596	3.0
10	Beneva	2,550,873	2.6
	Top 10 Market Share	58,815,362	58.9%
	Total P/C Market	99,786,160	100.0%

Sources: AM Best, SCOR, OSFI

Distribution of Issuer Credit Ratings (ICR) – Property/Casualty



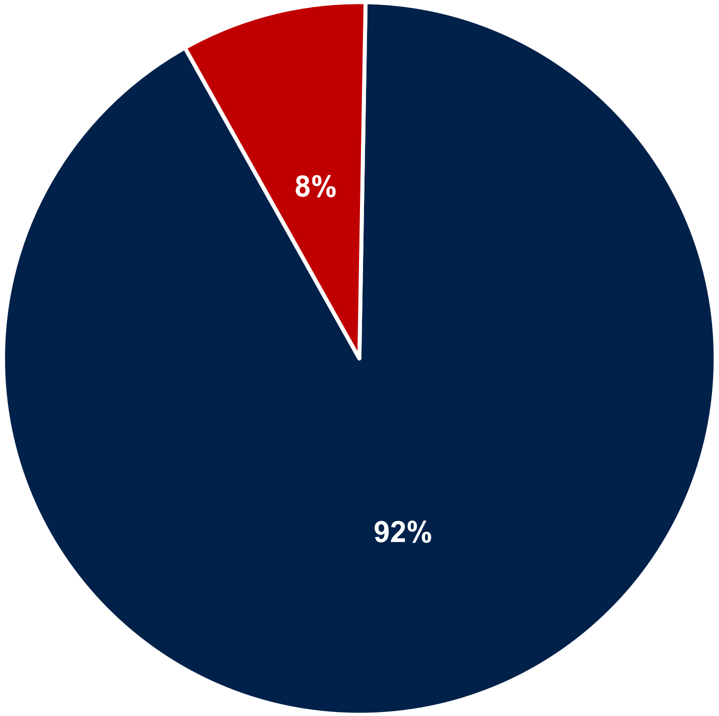
Notes: ICRs = Issuer Credit Ratings. Ratings as of July 18, 2024.

*1H 2025 ICRs as of June 30, 2025

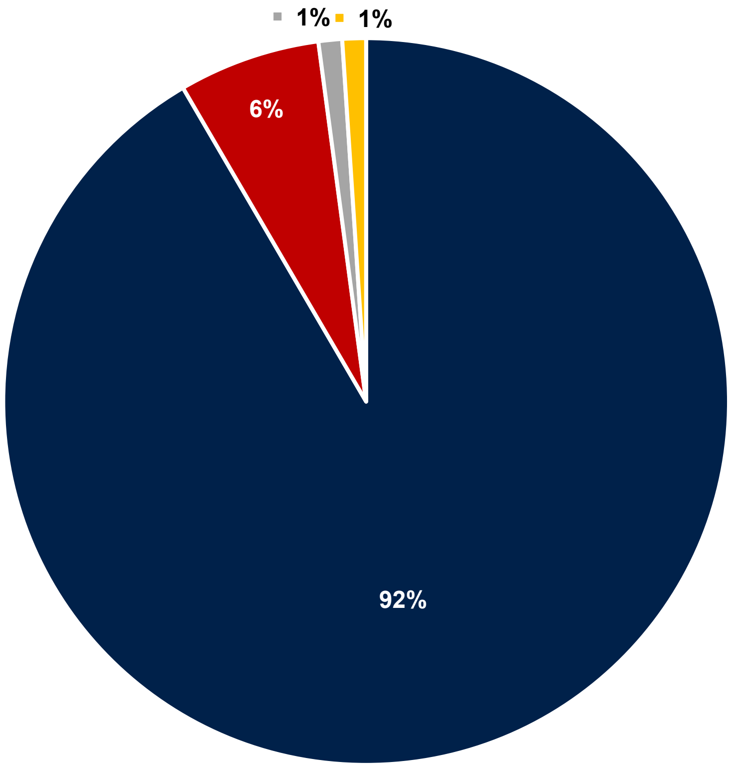
ICR Outlook Distribution – Property/Casualty

*Canada Property/Casualty – 2024 Outlooks

2024 Outlook Distribution (%)



1H 2025 Outlook Distribution (%)

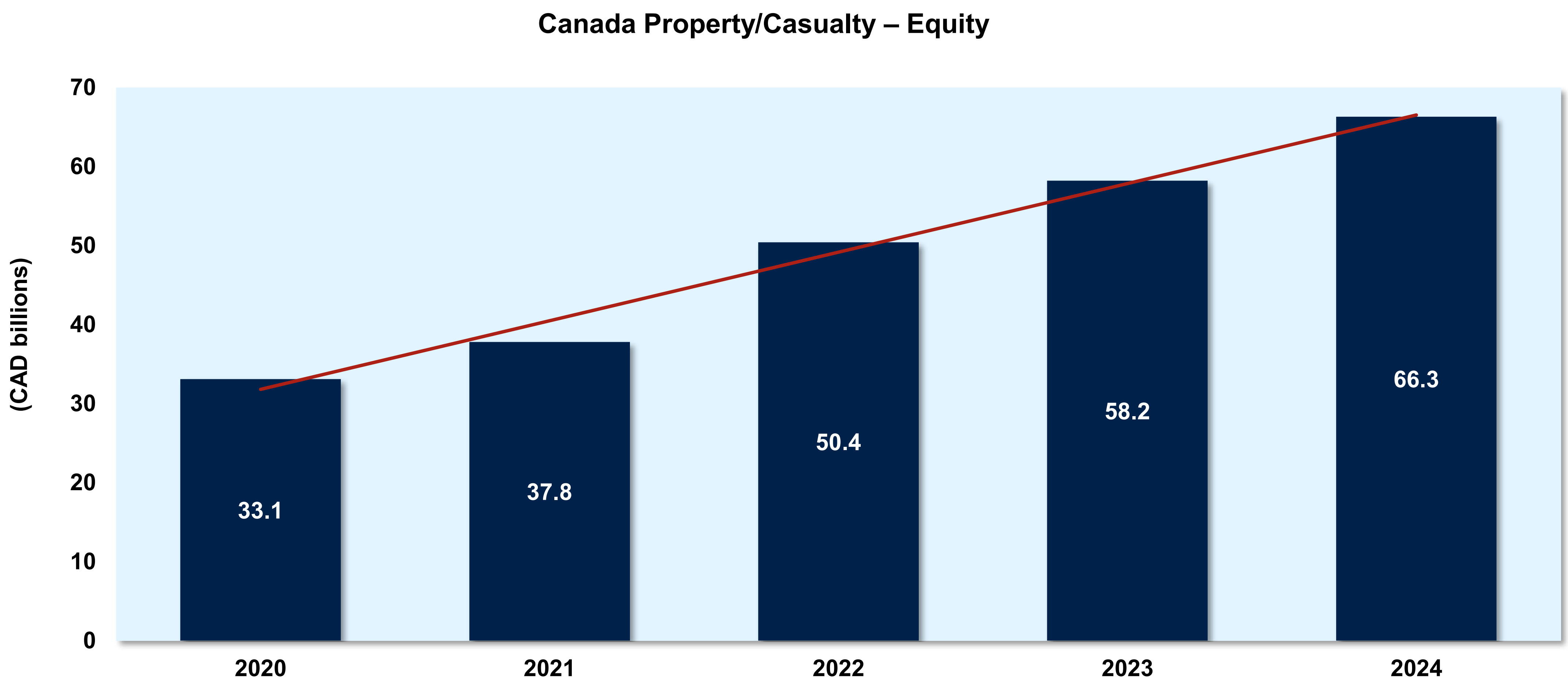


■ Stable ■ Positive ■ Negative ■ Developing

*As of July 2024

Property/Casualty 2024 Year in Review

Canada Property/Casualty – Equity[1,2]



[1] Excludes Lloyd's, CAB, and ICBC.
[2] 2022 - 2024 figures are reported in accordance with IFRS 17; prior years are based on previous accounting standards.

Property/Casualty Operating Performance

Net Income (2020 – 2024)[1,2]
(CAD Billions)

Year	Insurance Service Result/Net Underwriting Income	Investment Return/Net Investment Income	All Other Income / (Expense)	Net Finance Income / (Expense)	Income Tax	Net Income / (Loss)
2020	1.9	2.1	1.8	n/a	1.2	4.6
2021	7.6	1.5	1.5	n/a	2.3	8.3
2022	7.1	-1.2	-0.7	1.5	1.2	4.0
2023	7.9	5.1	-4.0	-2.8	1.9	7.1
2024	7.4	7.2	-2.7	-3.8	1.9	6.3

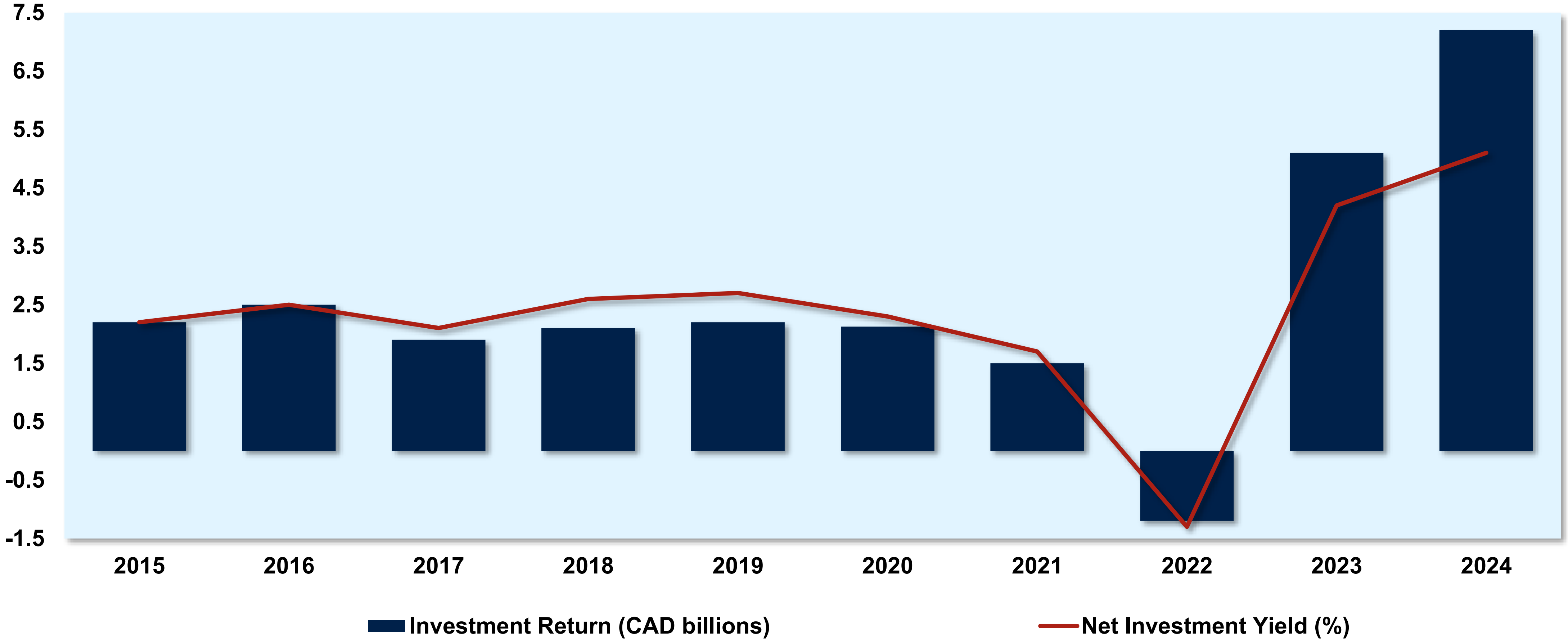
[1] Excludes Lloyd's, CAB, and ICBC.
[2] 2022 - 2024 figures are reported in accordance with IFRS 17; prior years are based on previous accounting standards.

Combined Ratio Performance (2015-2024)[1,2]

Year	Net Premiums Written (CAD Billions)	Net Insurance Revenue (CAD Billions)	Loss & Loss Adjustment Expense Ratio	Underwriting Expense Ratio	Combined Ratio
2015	39.3	-	63.2	32.2	95.4
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	32.5	86.3
2022[2]	-	52.5	59.9	31.1	91.0
2023[2]	-	60.6	60.4	31.9	92.3
2024[2]	-	71.8	63.3	32.1	95.4

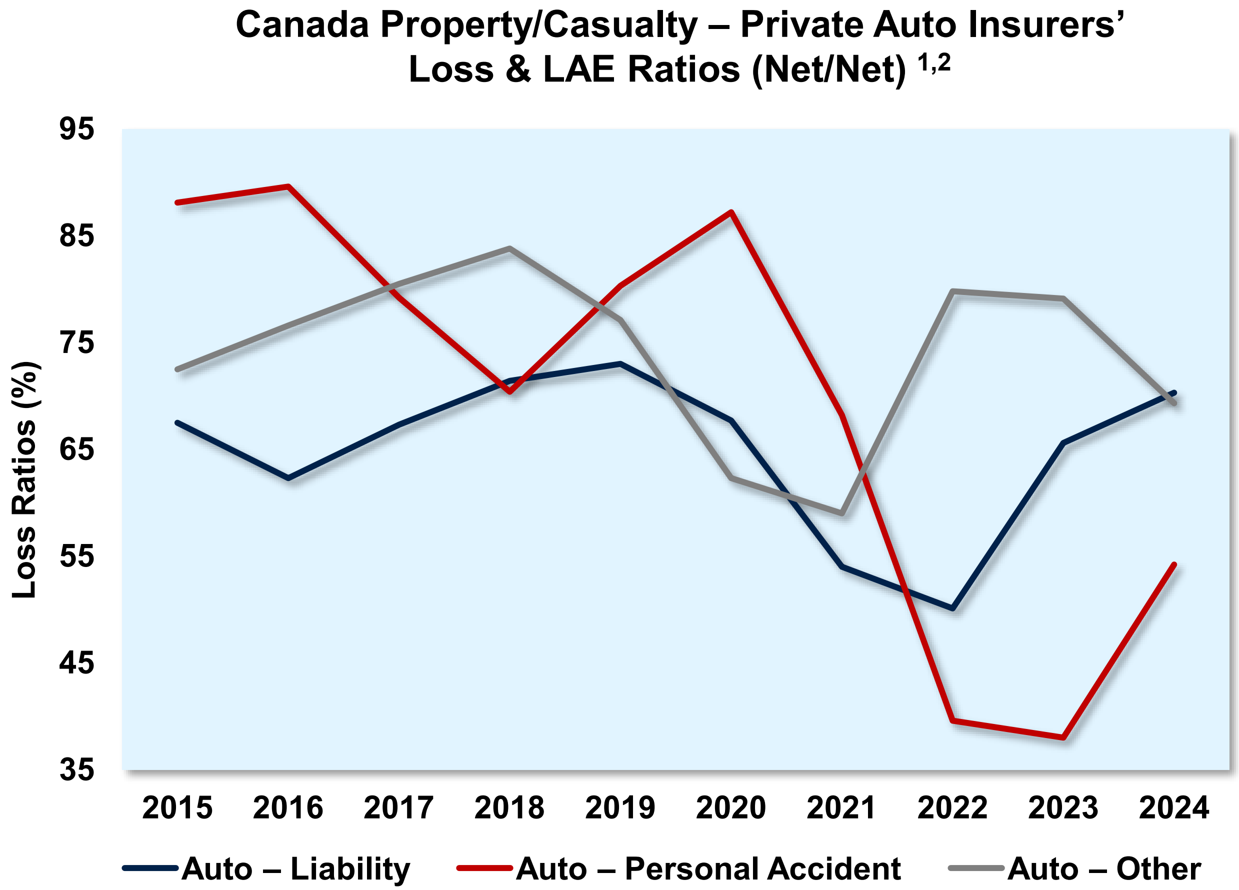
[1] Excludes Lloyd's, CAB, and ICBC.
[2] 2022 - 2024 figures are reported in accordance with IFRS 17.

Investment Return/Net Investment Yield [1,2]



[1] Excludes Lloyd's, CAB, and ICBC.
[2] 2022 - 2024 figures are reported in accordance with IFRS 17.

Auto Performance

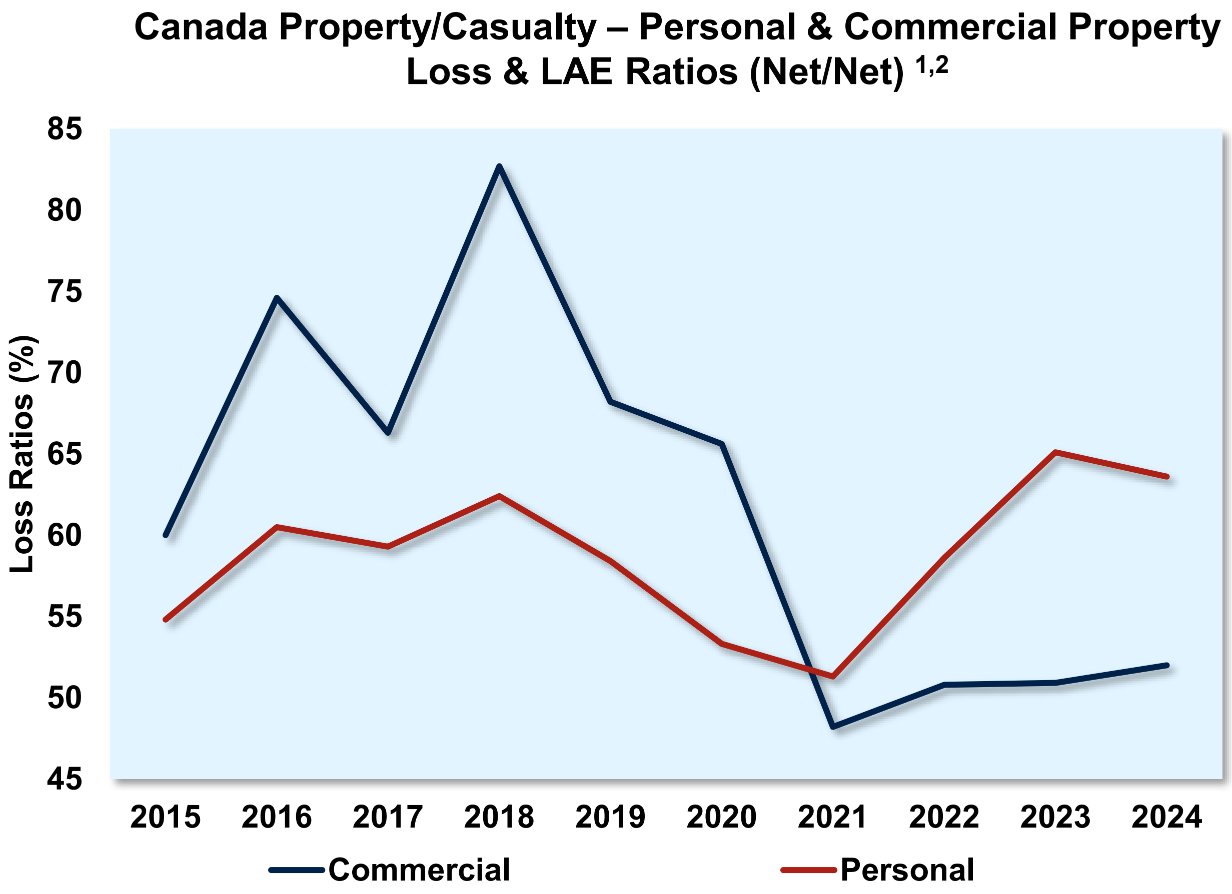


Observations

- Auto theft moderating
- Continued increase in auto liability loss ratios
- Auto personal accident loss ratios increased sharply
- Auto other loss ratios are improving
- Ongoing Alberta regulatory challenges

[1] Excludes Lloyd's, CAB, and ICBC.
[2] 2023-2024 figures are reported in accordance with IFRS 17.

Property Results



Observations

- Commercial property loss ratio has increased incrementally over last three years
- Commercial property still profitable / showing signs of softening
- Personal property resilient / signs of hard market continue
- While the frequency and severity of weather-related events continued to rise, the financial impact on the segment was more contained

[1] Excludes Lloyd's, CAB, and ICBC.
[2] 2023 - 2024 figures are reported in accordance with IFRS 17.

Reinsurance

Global Reinsurance Expectations – What AM Best Said Last Year

Underwriting profits –
slight reductions, but still strong

Inflationary pressures and interest rates –
Abating and declining, slowly

Rate movements –
modest declines in strong performing risks and higher levels of cover

Significant new capital / number of new entrants –
unlikely

Retention levels –
minor movements into working layers

Increased use of Alternative Capital to flex capital needs

Global Reinsurance Market Outlook – Positive

Tailwinds	Headwinds
Although competitive conditions increased in property cat, pricing supports attractive margins	Elevated US casualty claims, reflecting the multi-year impact of social inflation, with adverse implications for underwriting and reserve margins
Reinsurers remained disciplined with terms and conditions and attachment points largely intact	Increased frequency and severity of catastrophic loss activity, especially from secondary perils
Despite significant catastrophe and large man-made losses, segment set to report strong operating results	Continued macroeconomic and geopolitical uncertainty
Segment remains well capitalized as evidenced by continued growth in dedicated capital	
Demand for coverage remains strong	
Life/Health reinsurance operations continue to act as a diversifying source of income and earnings	
Interest rates remaining higher for longer	

AM BEST SINCE 1899 ®

Canada P/C Reinsurance Provincial Distribution

Provincial Insurance Revenue Distribution 2024 & 2023 (CAD)				
Province	2024 (000s)	Percentage (%)	2023 (000s)	Percentage (%)
Ontario	2,143,950	45.70	2,411,299	57.50
British Columbia	736,462	15.70	401,663	9.60
Alberta	526,861	11.20	346,871	8.30
Quebec	512,692	10.90	336,902	8.00
Out of Canada	261,018	5.60	284,242	6.80
Saskatchewan	154,426	3.30	127,861	3.00
Manitoba	138,452	2.90	115,604	2.80
New Brunswick	76,615	1.60	62,733	1.50
Nova Scotia	67,785	1.40	47,399	1.10
Newfoundland	33,183	0.70	23,720	0.60
Prince Edward Is	21,848	0.50	19,827	0.50
Northwest Terr	8,607	0.20	7,190	0.20
Nunavut	11,176	0.20	7,100	0.20
Yukon	3,358	0.10	3,376	0.10
Total	**4,696,434**	**100.00%**	**4,195,787**	**100.00%**

Excludes Lloyd's, CAB, and ICBC.

Canada P/C Reinsurance Market Results

Year	Insurance Revenue (CAD Billions)	Loss & LAE Ratio (Net/Net)	Expense Ratio (Net/Net)	Combined Ratio (Net/Net)	Combined Ratio (Net/Gross)
2022	3.4	64.8	10.5	75.3	83.6
2023	4.2	53.9	11.7	65.6	77.8
2024	4.7	79.7	12.9	92.6	95.0

Observations

- Reinsurers remained disciplined with terms and conditions and attachment points largely intact
- Despite a deterioration in loss and lae, underwriting performance for Canada's domestic P/C reinsurers remain profitable
- Profitability further supported by strong investment income
- Rising catastrophe risks, secondary perils, and macroeconomic and geopolitical risks, remain a key consideration that may impact the segment

Figures are reported in accordance with IFRS 17.

AM Best's Expectations – The Next 12 Months

Operating results remain strong – exceeding cost of capital

New capital – internal generation / established players

Rate movements – greater differentiation by cedent, layer, and geography

Macroeconomic uncertainty remains

Retention levels – discipline maintained

Alternative capital embedded in capital structures

Excludes Lloyd's, CAB, and ICBC.

Q&A

Thank You

AM BEST

Secondary Perils: Increased Frequency & Severity

Michael Buckley – Financial Analyst II, AM Best

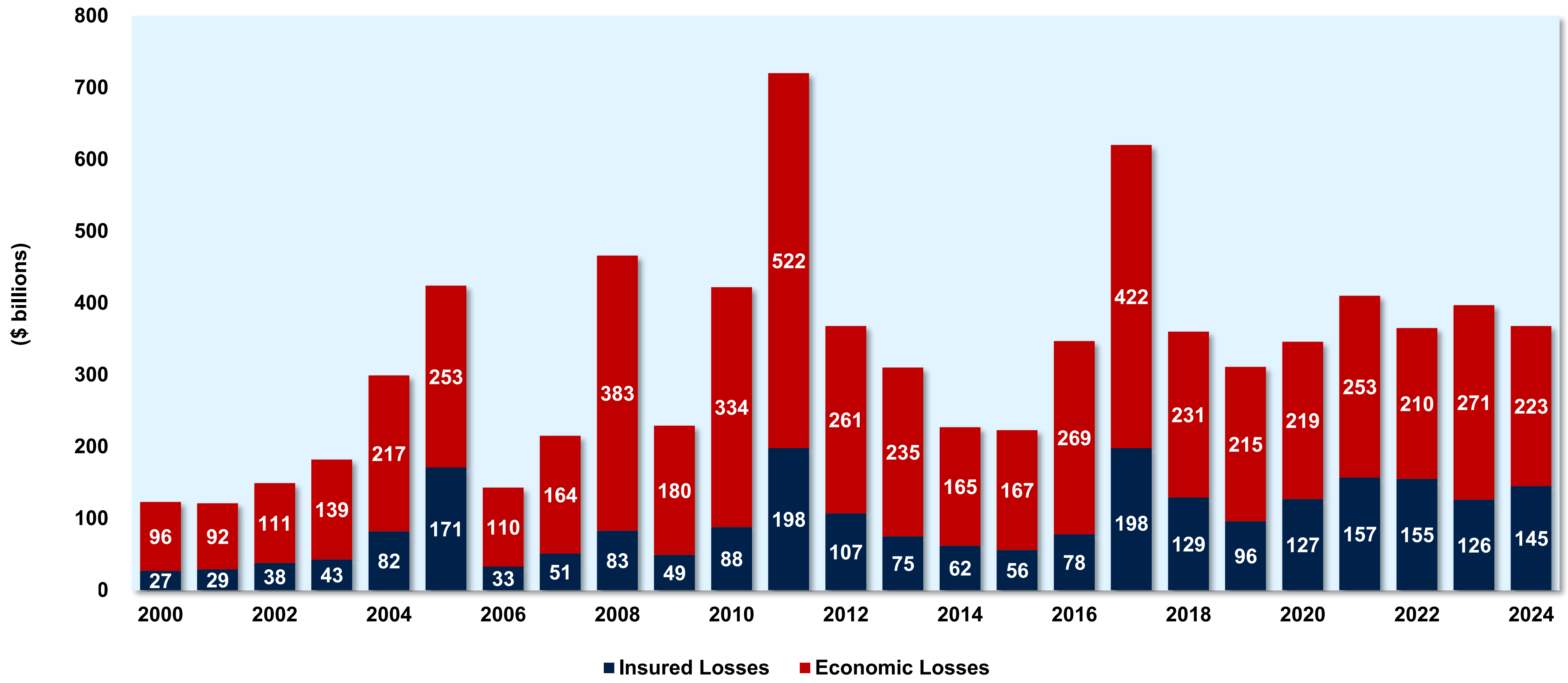
October 30, 2025

Primary vs. Secondary Perils

	Definition	Examples
Primary Perils	Peak perils that have known severe loss potential for the insurance industry. Traditionally well monitored and modeled perils in developed (re)insurance markets.	Tropical cyclones, earthquakes, winter storms in Europe.
Independent Secondary Perils	Typically characterized as the group of catastrophe and severe weather perils that are not considered “peak”. Historically, these perils have not been modeled to any significant extent, in comparison to primary perils.	The most prominent examples, particularly in recent years, include severe convective storms, floods, wildfire, drought, snow and ice storms.
Secondary Effects of a Primary Peril	Events that are not captured well in primary peril modeling, at least not in proportion to their severity potential.	Some of the most common examples include storm surges, tropical cyclone-induced inland flooding, tsunamis and fire following an earthquake.

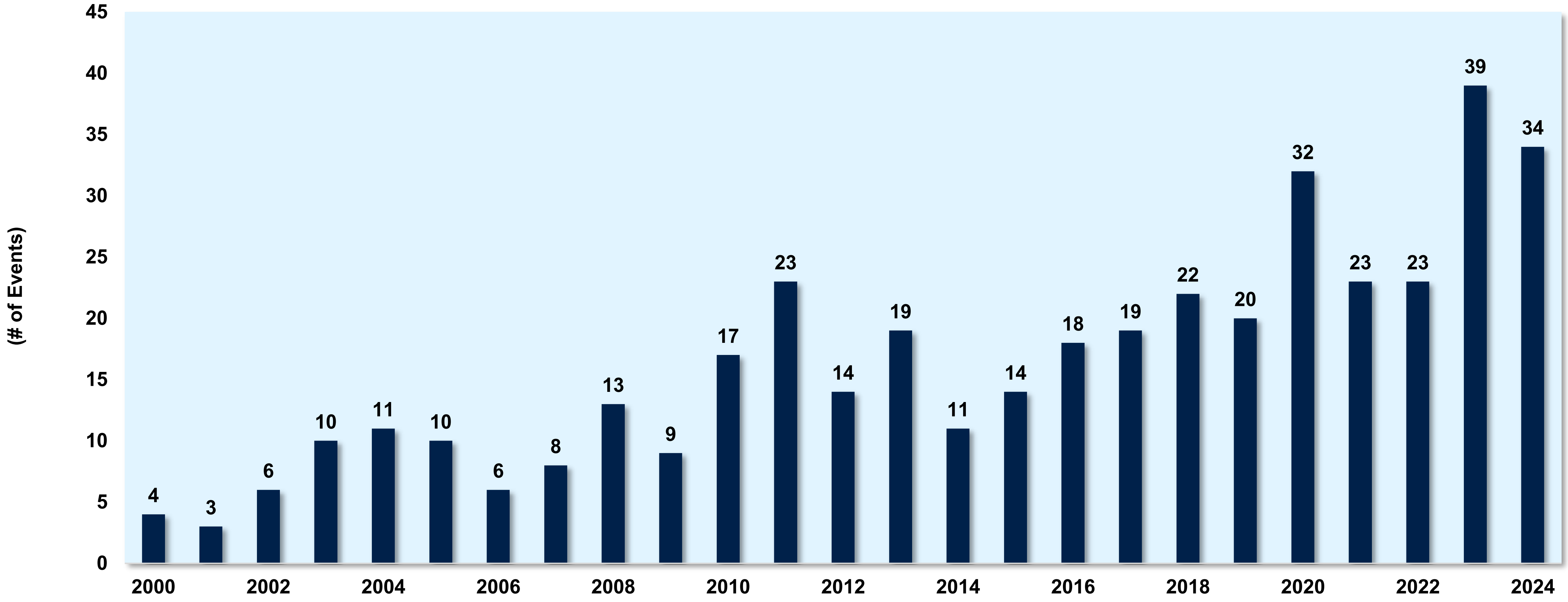
Source: Source: Swiss Re Institute; AM Best data and research

Global Insured & Economic Catastrophe Losses



Source: Aon Climate Insight

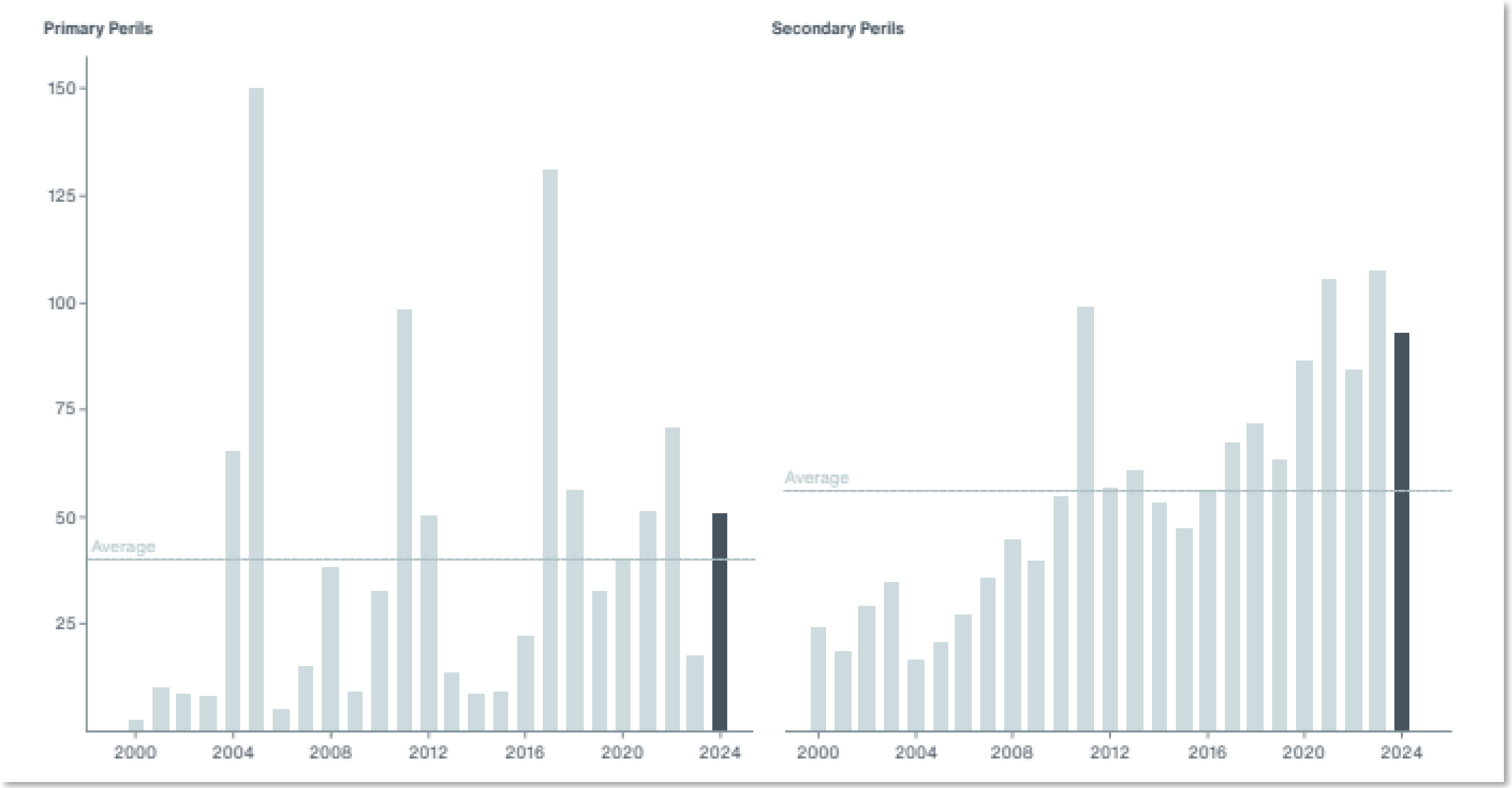
Billion Dollar Global Insured Catastrophe Loss Events



Source: Aon Climate Insight

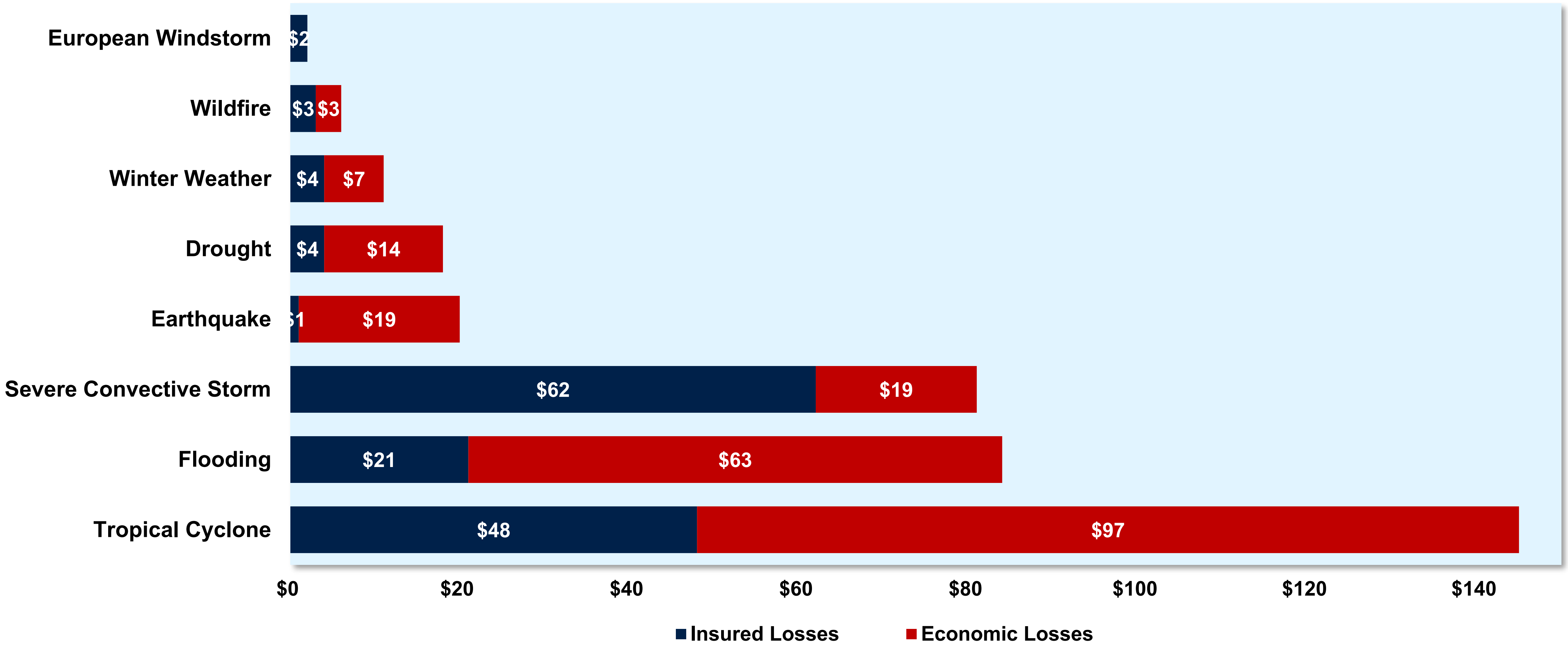
Secondary Perils Increasing in Prominence

Global Insured Losses from Primary and Secondary Perils



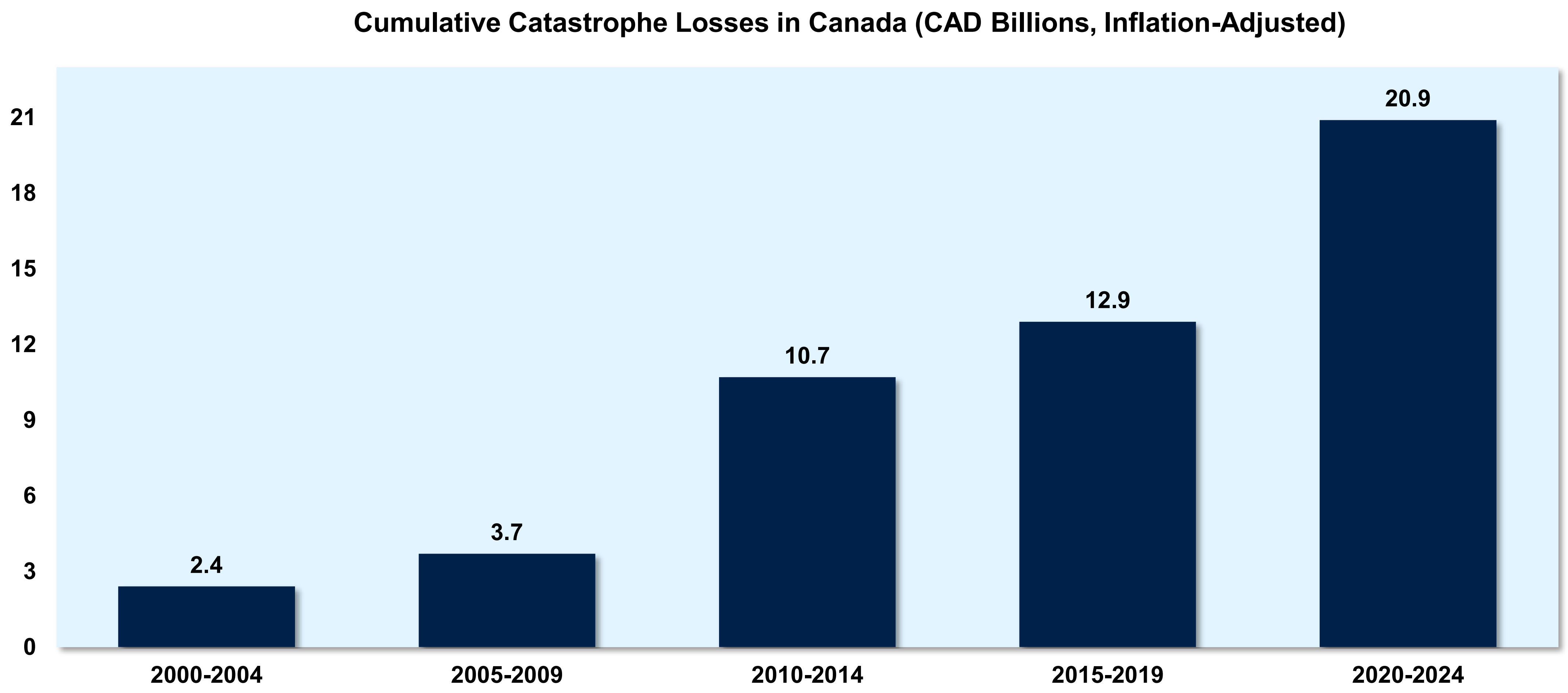
Source: Aon Climate Insight

Global Insured & Economic Catastrophe Losses by Peril



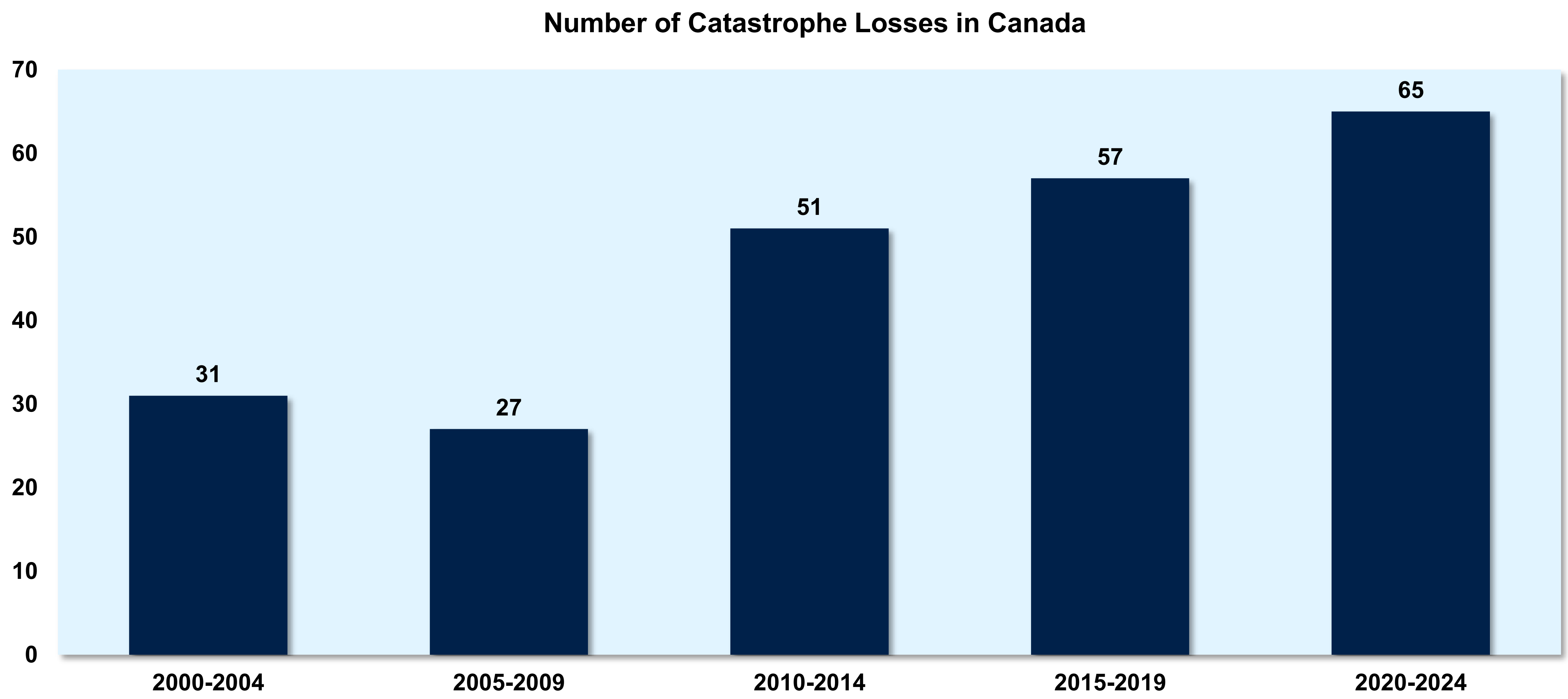
Source: Aon Climate Insight

Rising Cost of Catastrophe Events in Canada



Source: IBC

Rising Frequency of Catastrophe Events in Canada



Source: IBC

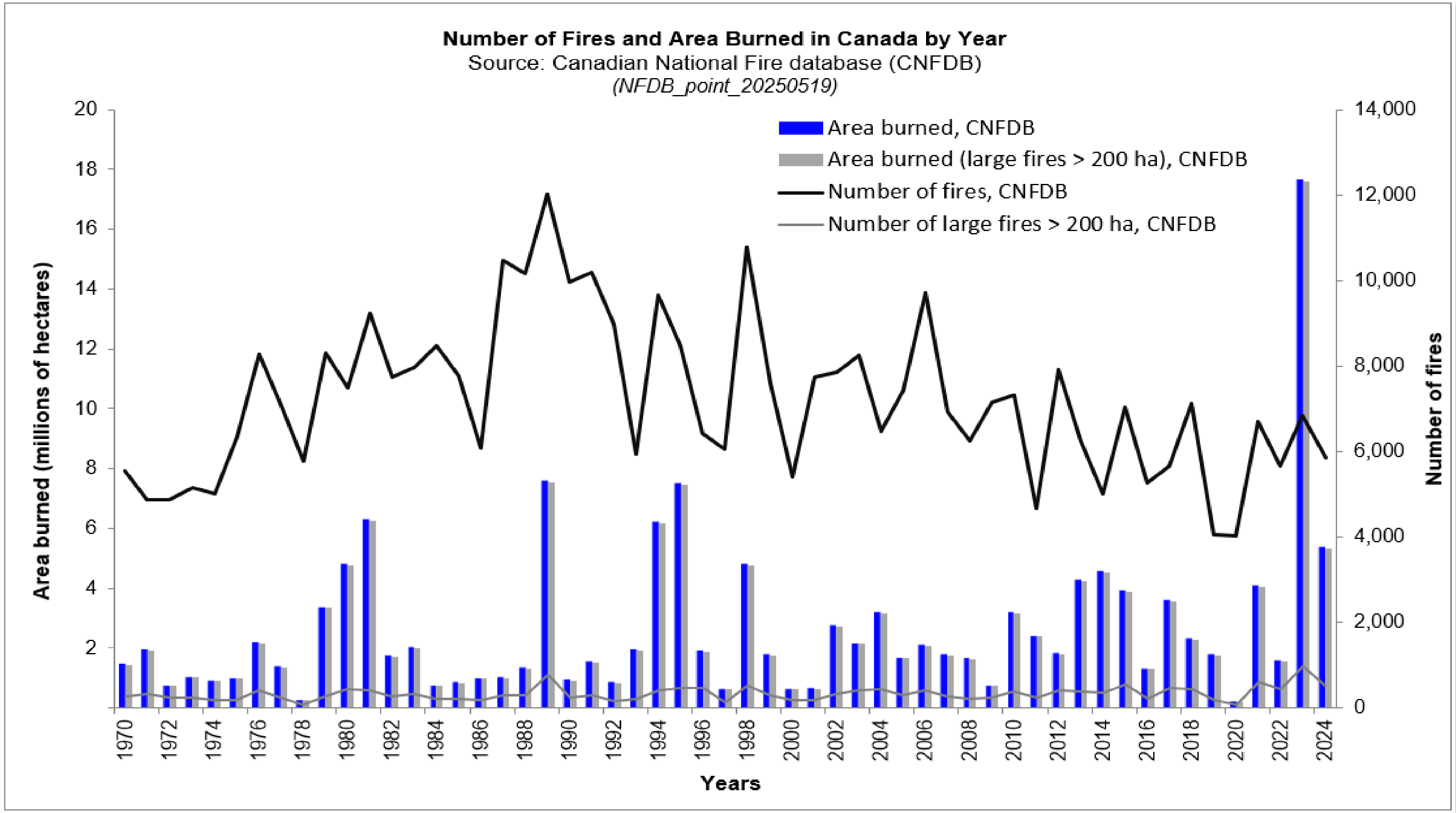
2024 CAT Events

2024 Cat Events Exceeding CAD 30M Insured Losses

Cat Event	Insured Losses (CAD millions)
Western Deep Freeze (British Colombia, Saskatchewan and Alberta)	180
Eastern Canada Spring Storm (Southern Ontario to Atlantic Canada)	55
Ontario Early Spring Storms	34
Manitoba Hailstorms	55
Saskatchewan Severe Storms	133
Remnants of Hurricane Beryl (Eastern Canada)	50
Southern Ontario Flash Flooding	899
Jasper Wildfire (Alberta)	1,313
Calgary Hailstorm (Alberta)	3,293
Remnants of Hurricane Debby (Eastern Ontario and Southern Quebec)	2,806
August Southern Ontario Flooding	110
Southern British Colombia Flooding	120

Source: CatIO

Wildfires



Number of Fires and Area Burned in Canada by Year
Source: Canadian National Fire database (CNFDB)
(NFDB_point_20250519)
Area burned, CNFDB
Area burned (large fires > 200 ha), CNFDB
Number of fires, CNFDB
Number of large fires > 200 ha, CNFDB
Area burned (millions of hectares)
Number of fires
Years
20
18
16
14
12
10
8
6
4
2
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
1970
1972
1974
1976
1978
1980
1982
1984
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1998
2000
2002
2004
2006
2008
2010
2012
2014
2016
2018
2020
2022
2024

Drivers of Increased Frequency and Severity of Secondary Perils

Frequency & Severity

- Climate Change
- Wildfire Season Lengthening & Fuel Accumulation
- Urbanization & Exposure Growth
- Aging / Inadequate Infrastructure
- Inflation & Rising Construction Costs
- Insufficient Mitigation and Planning

Mitigating the Impact of Secondary Perils

Solutions	Examples
Improve Risk Modeling & Data Analytics	Invest in advanced catastrophe models for secondary perils
Climate Change Adaptation	Resilient infrastructure investments (e.g., flood defenses, fire breaks, drainage systems)
Public-Private Partnerships	Collaborate with federal, provincial, and municipal governments
Customer Education & Awareness	Offer incentives for risk mitigation on insured property
Reinsurance & Risk Transfer	Explore alternative capital sources (e.g., insurance-linked securities, catastrophe bonds)

Q&A

Thank You

Panel Discussion: Emerging Issues

Gord Dowhan – CFO, Wawanesa Insurance
Jacqueline Friedland – Executive Director, Risk Assessment and Intervention Hub, OSFI
Steve Guignard – Senior Director, Client Solutions, Sun Life Capital Management
Jeff Mango – Managing Director, AM Best

October 30, 2025

Gen AI: Applications & Implications

Sridhar Manyem – Senior Director, AM Best

October 30, 2025

AM Best Canadian Market Briefing

Evolution of Artificial Intelligence

1950s
Turing Test
Unimate

1960s
ELIZA
WABOT - 1

1970s
WABOT - 2
Expert Systems

1980s
Expert Systems
(10.5%)

1990s
IBM Deep Blue
(23.9%)

2000s
Big Data
Autonomous Cars

2010s
Driverless Car
AlphaGo
Siri
Alexa

2020s
GPT -3 released
Image Recognition
2022 – ChatGPT goes public

So What?

Agentic AI

- Digital Underwriter or a claims manager that can resource and plan all aspects of the claims workflow – given a set of rules for underwriting, for example, the AI agent verifies data, calculates risk indices, and makes decisions on accepting and rejecting risks

Generative AI

- Summarize policies and insurance legal documents to create new synthetic content; Translate between languages and more importantly code from legacy systems to cloud; Assistants to claims professionals and underwriters by summarizing key insights and accelerating decision making and process automation

Machine Learning

- Has the advantage of capturing non-linear relationships that simplistic GLMs and GAMs have. MLs assist in revealing non-intuitive predictive relationships. Advances look promising in underwriting (enhancements to mortality risk models), Solvency modeling, Individual and Aggregate Claims reserving, and fraud detection

Telematics

- Increased use of telematics devices play a key role in risk monitoring, enhanced collection of data for underwriting decisions, and has a critical role in the increased use of parametric insurance products

Source: IBC

Some Words of Caution

Data Readiness – AI is ready, are you?

Increased Regulatory Scrutiny

Model Validation/ Over Reliance: Can I trust the model 100% of the time?

Increasing demands on computing power

Talent

Cyber Threats

Data Poisoning

Source: IBC

Q&A

Thank You

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