

AM Best's Canadian Market Outlooks

Ann Modica – Associate Director
Gordon McLean – Senior Financial Analyst
Anthony McSwieney – Senior Financial Analyst

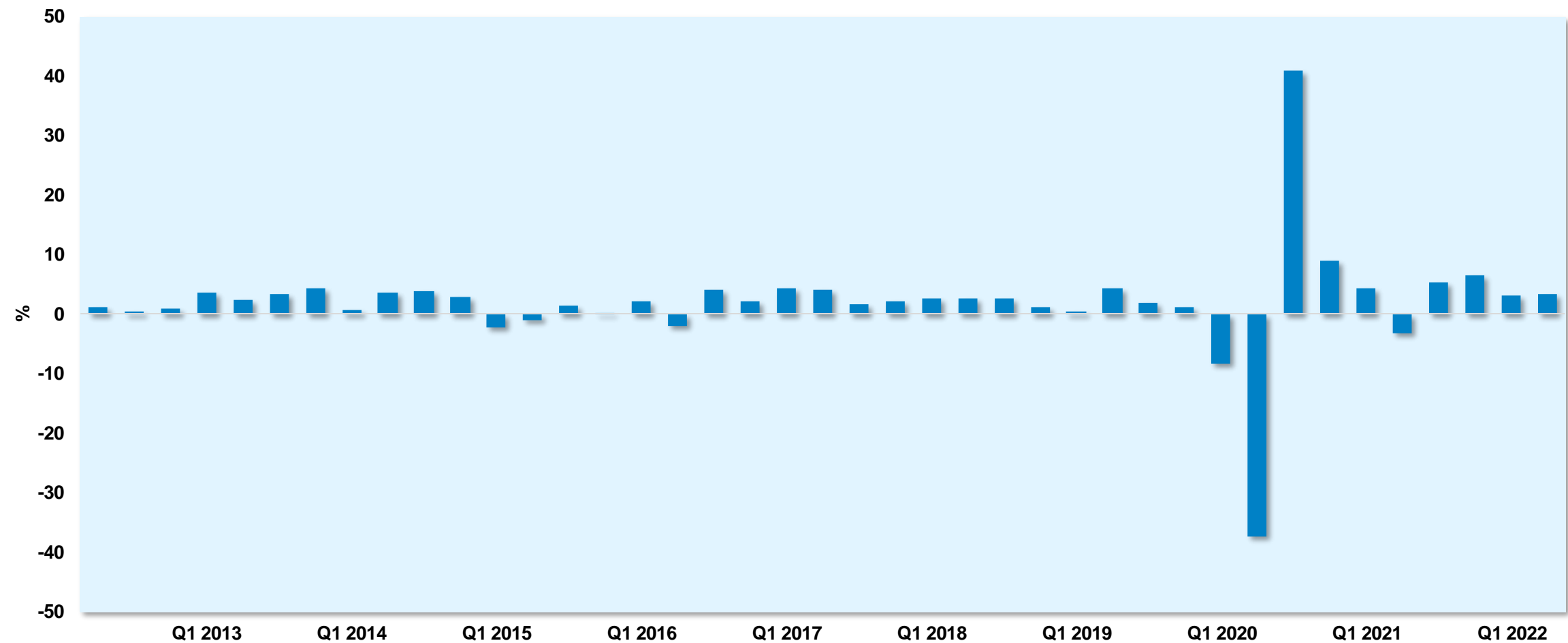
Canada Insurance Market Briefing – Toronto
September 9, 2022

Canada Economic Outlook

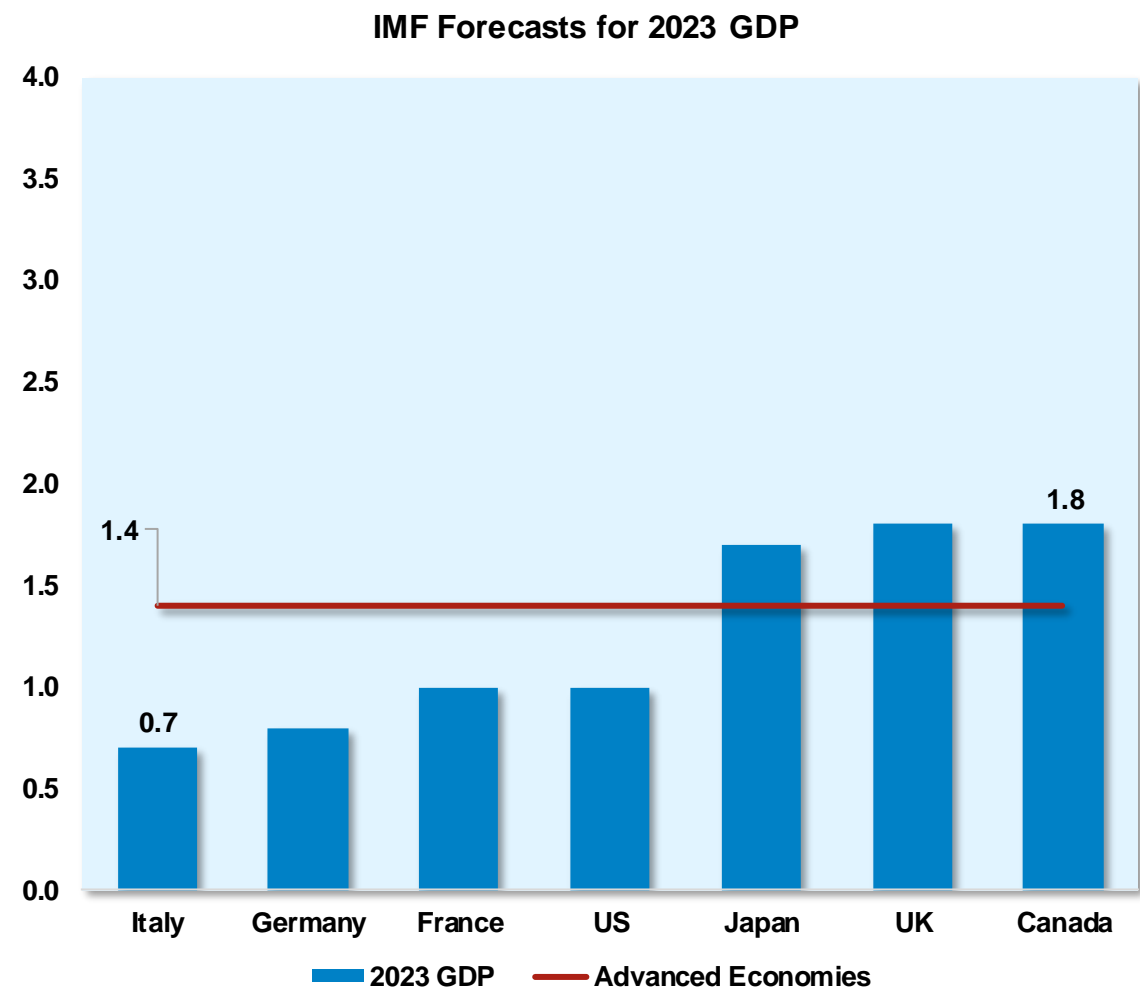
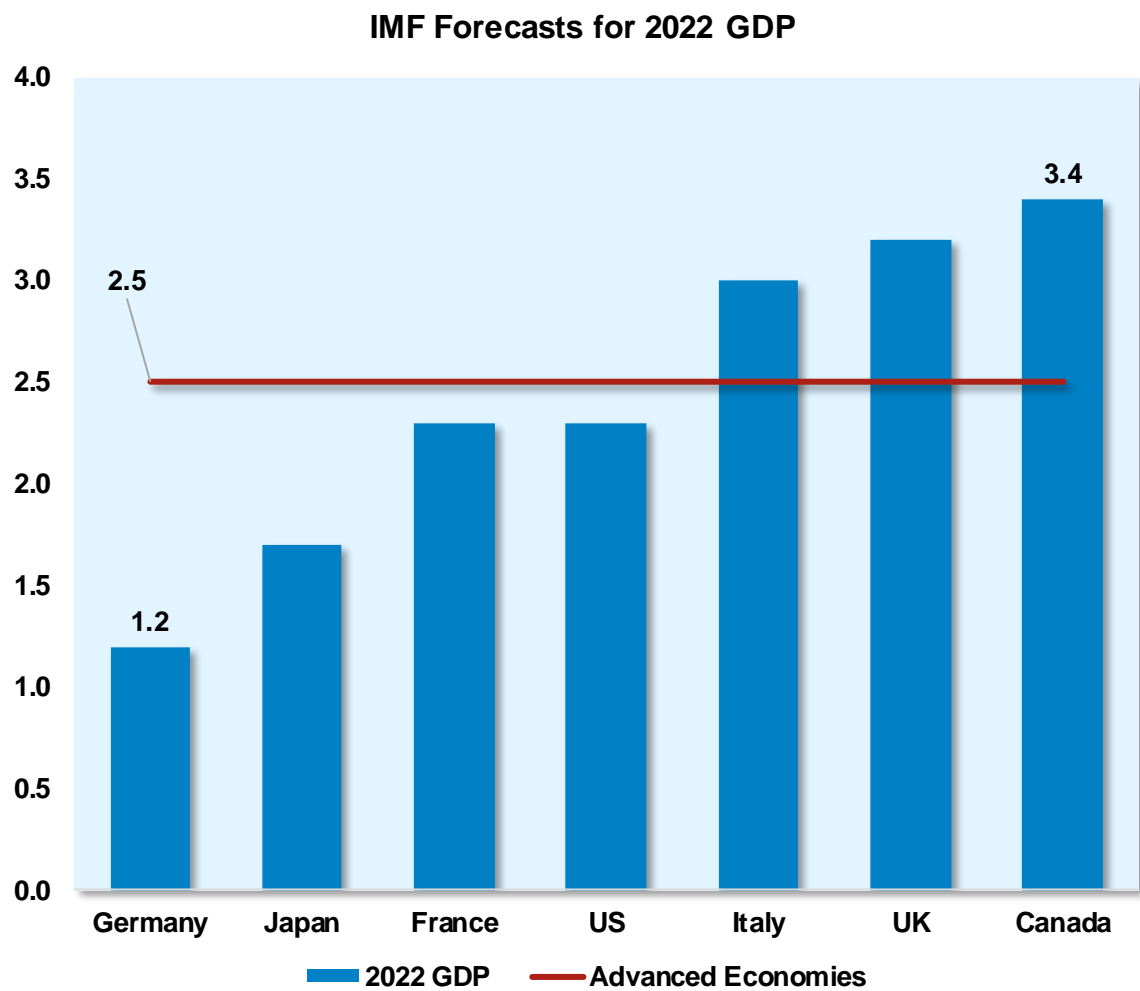
Ann Modica – Associate Director, AM Best

Canada's Economy Continues Its Positive Growth

Gross Domestic Product, Annualized



Canada's GDP to Outpace Other Advanced Economies in 2022 and 2023

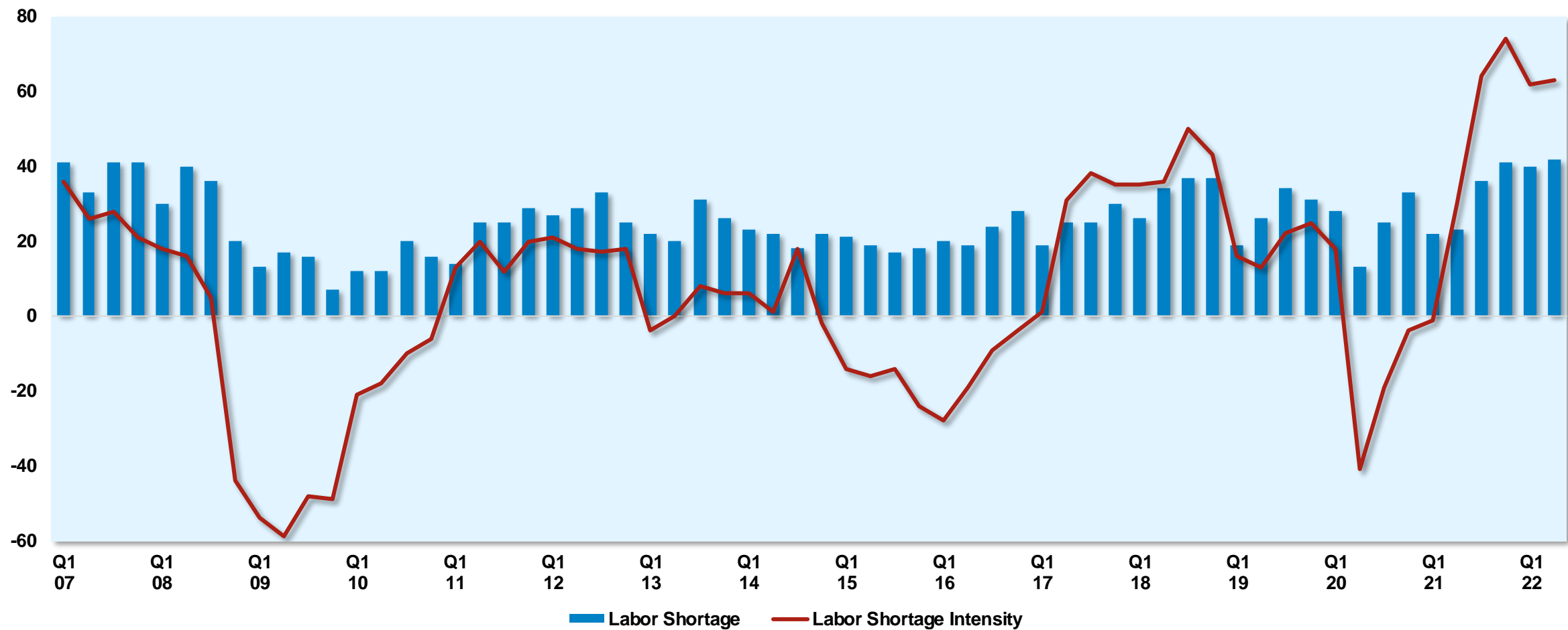


Labor Shortages Leading to Higher Wages



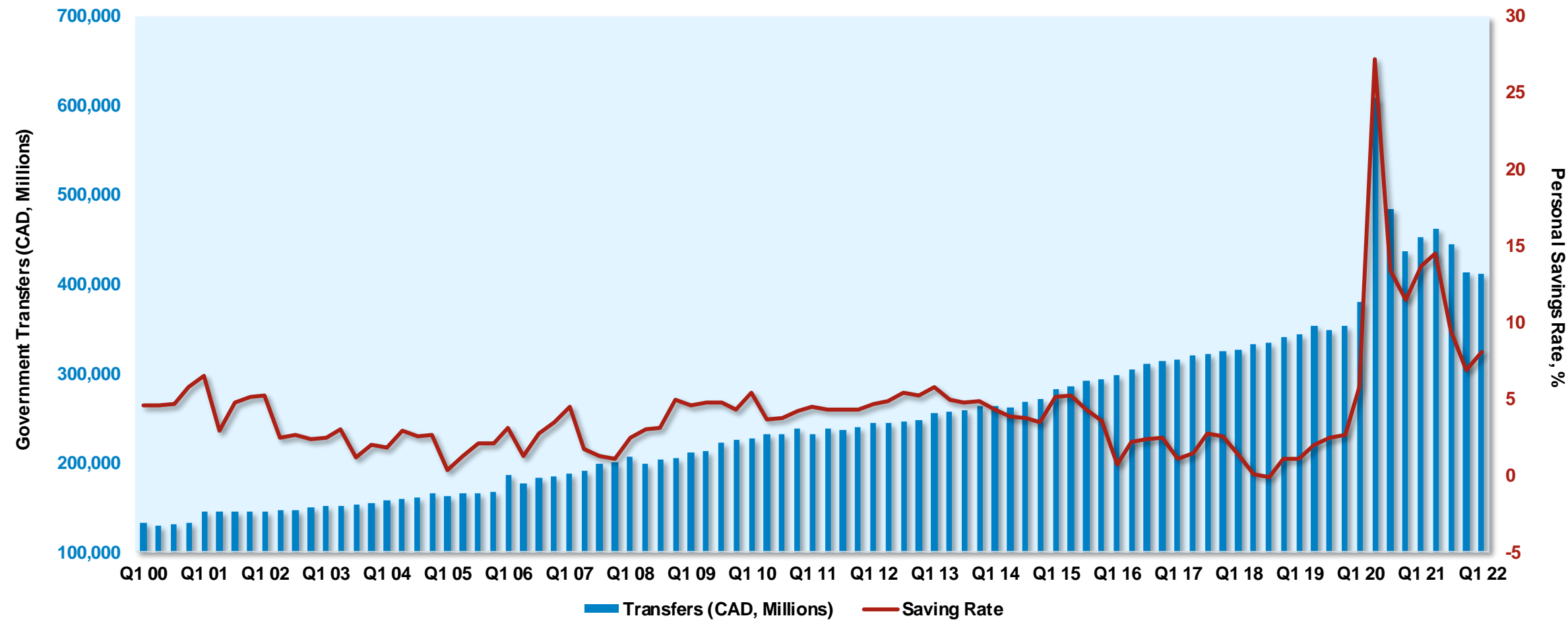
Widespread Labor Shortages Reported

Reported Labor Shortages and Intensity of Shortage



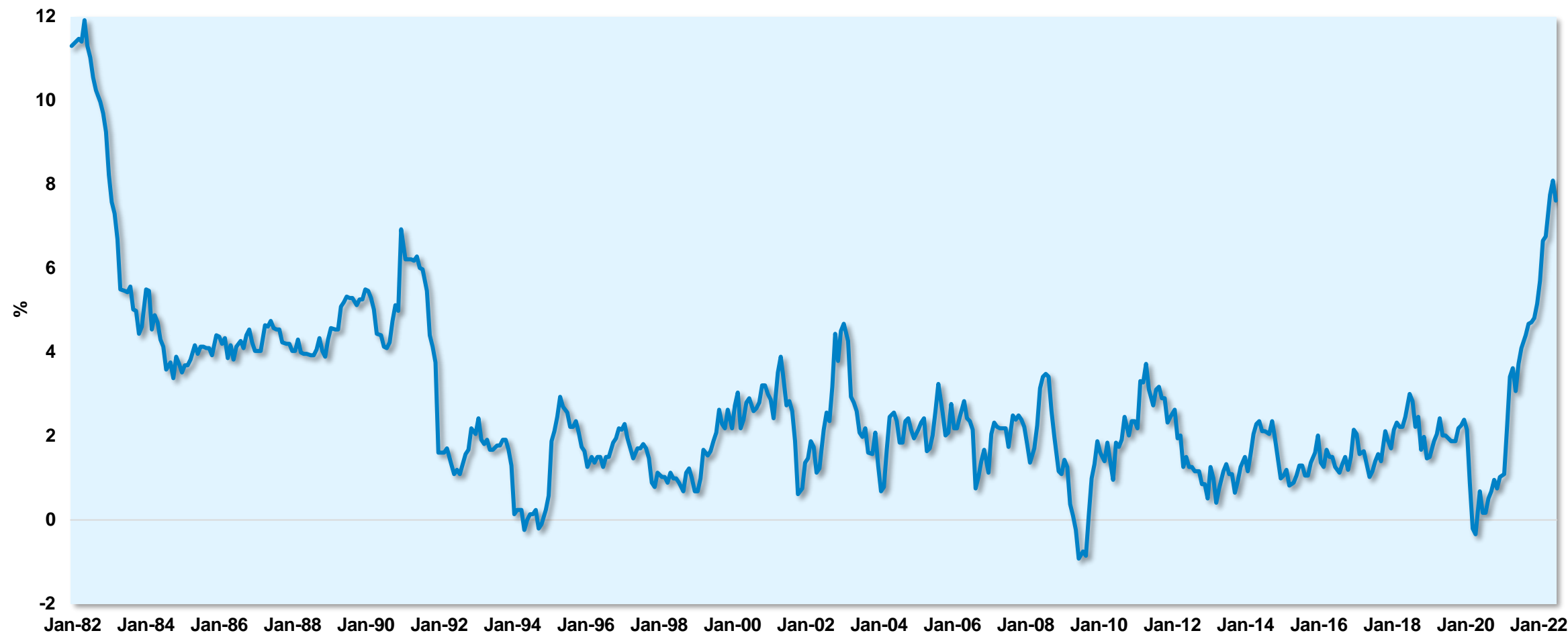
Savings Rate Should Support Spending over the Short-term

Personal Savings Rate and Government Transfers to Households

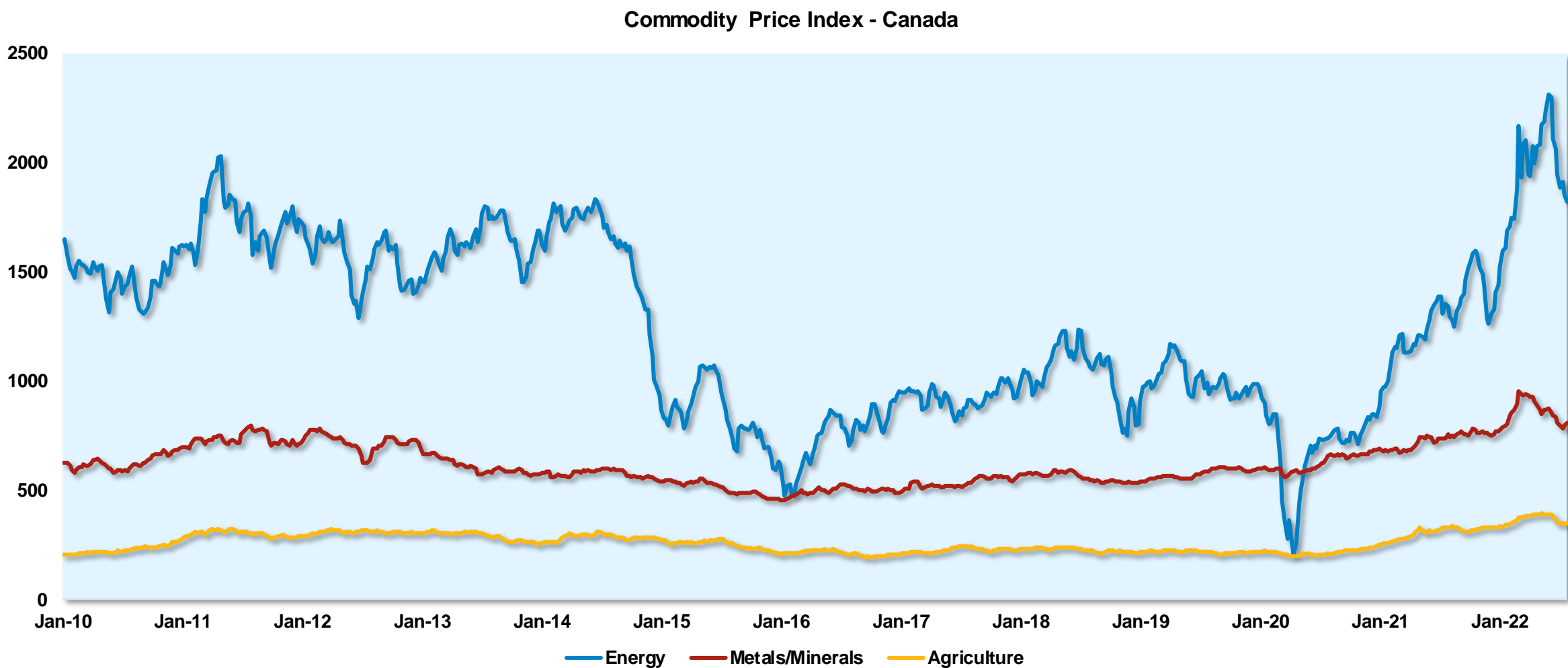


Inflation at Highest Level in Four Decades

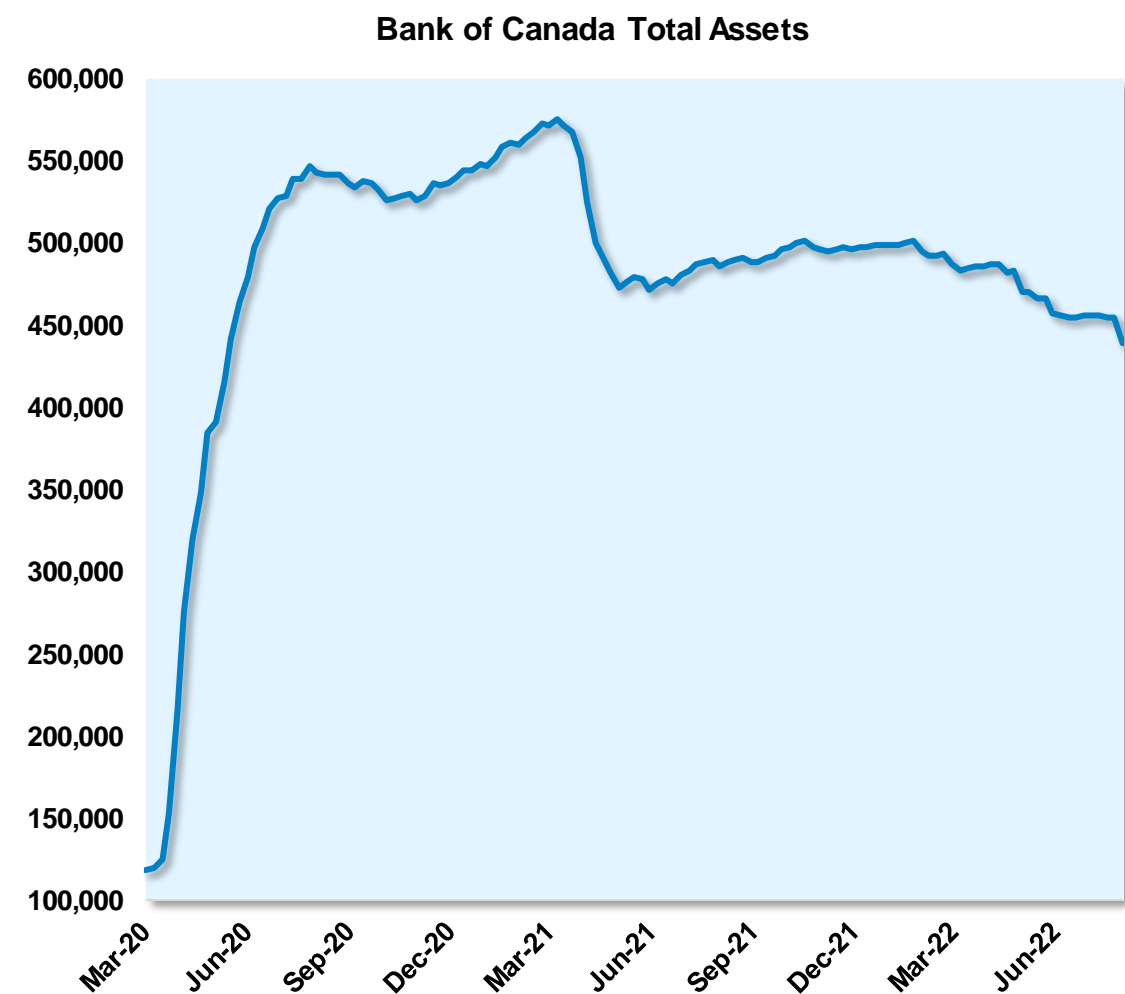
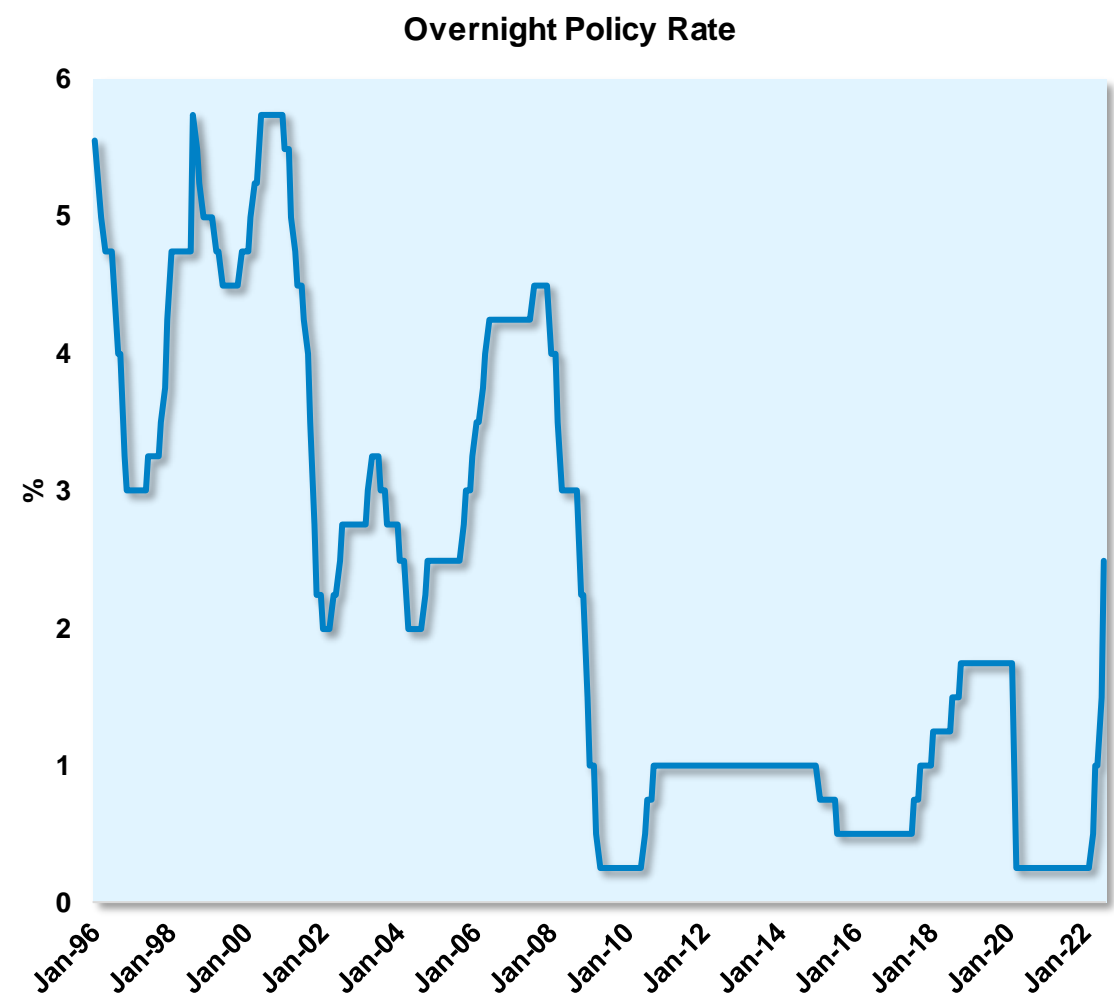
Headline Inflation



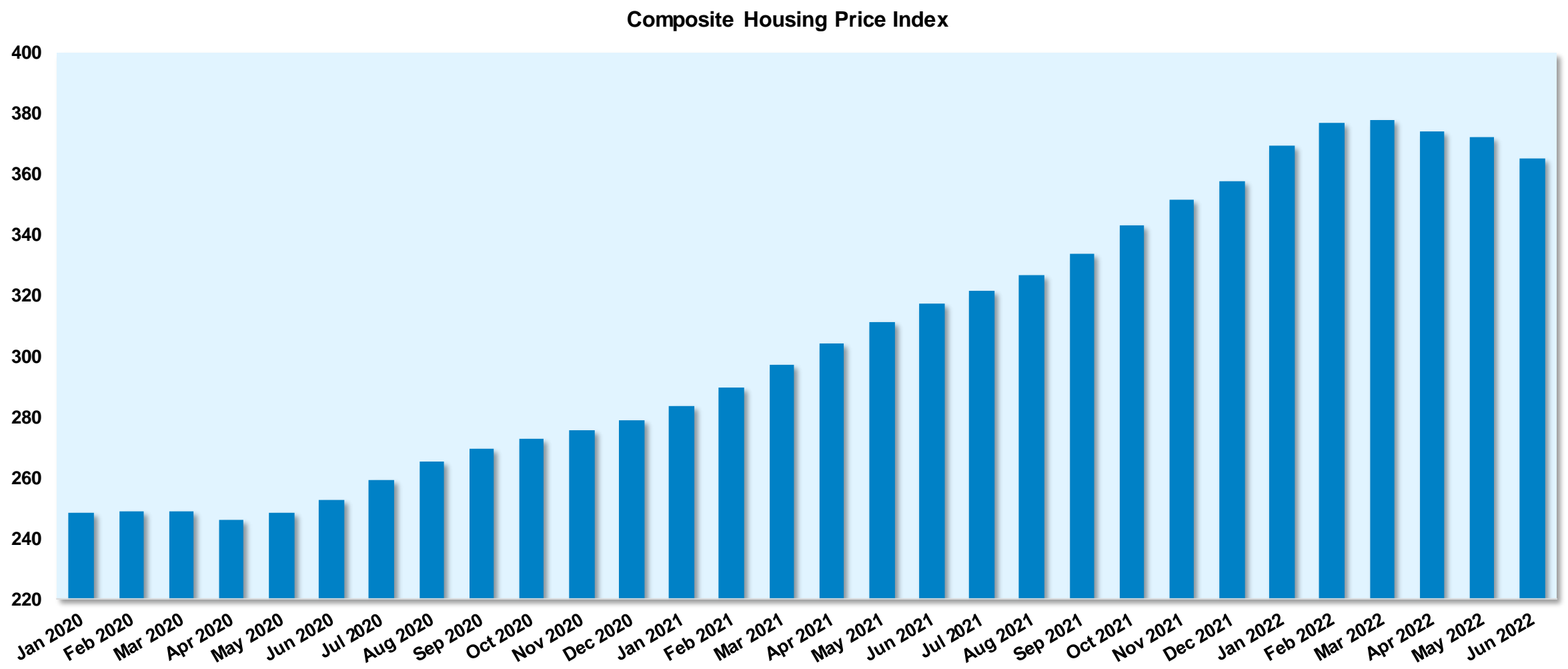
Energy Soars, But Comes Down From Recent High



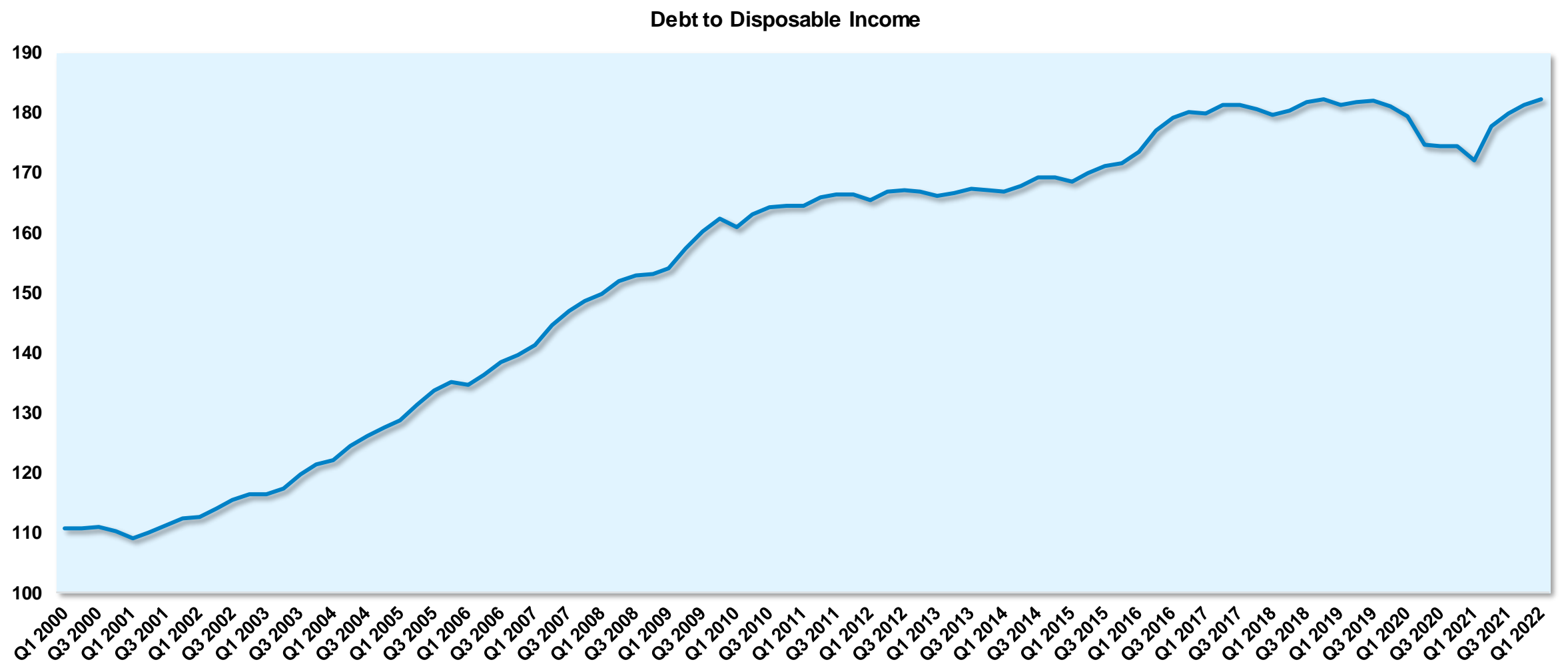
Financial Conditions are Tightening



Higher Mortgage Rates Cause Prices to Fall from Peak



Household Debt at Record Level



Canada Life/Health Outlook

Anthony McSwieney – Senior Financial Analyst

Rating Outlook Remains at Stable

Outlook is stable, but remains cautious due to global conditions

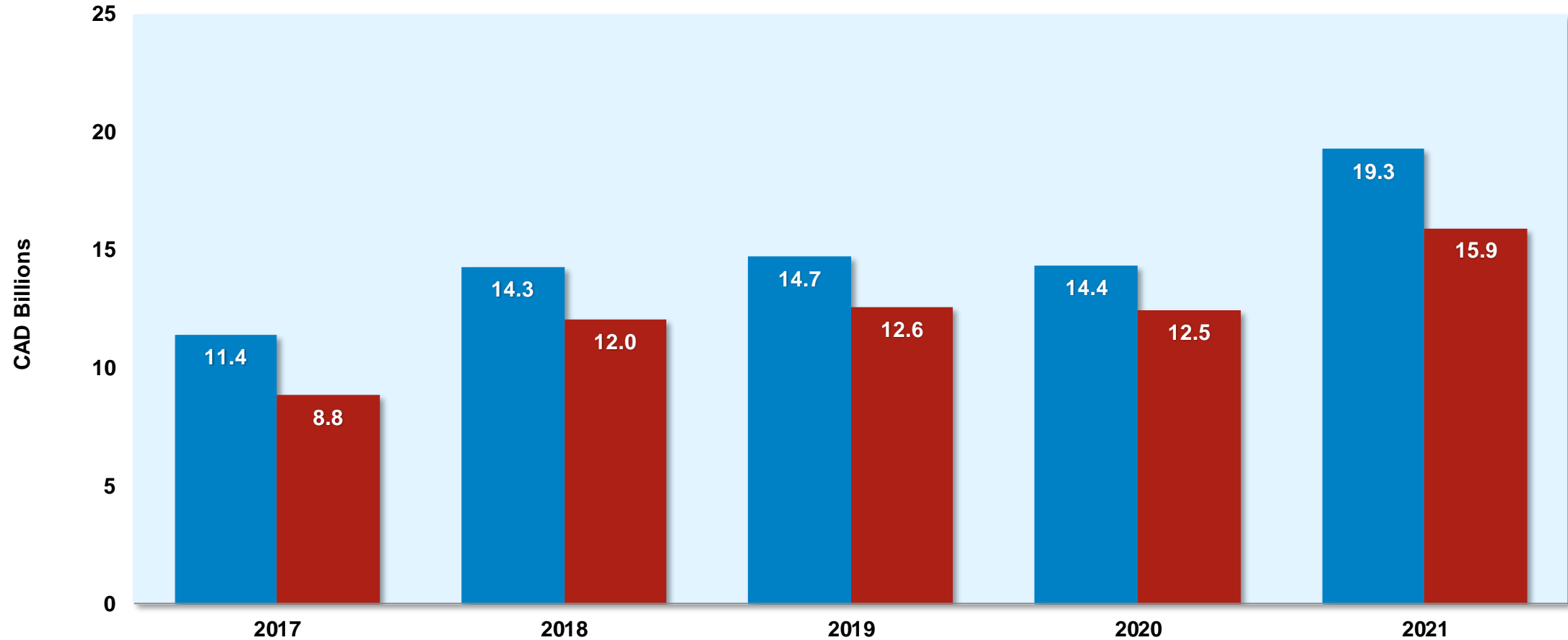
Rating outlook reflects stable capital profile of industry

Generation of favorable earnings and underwriting results despite pandemic

Does not preclude positive or negative rating actions

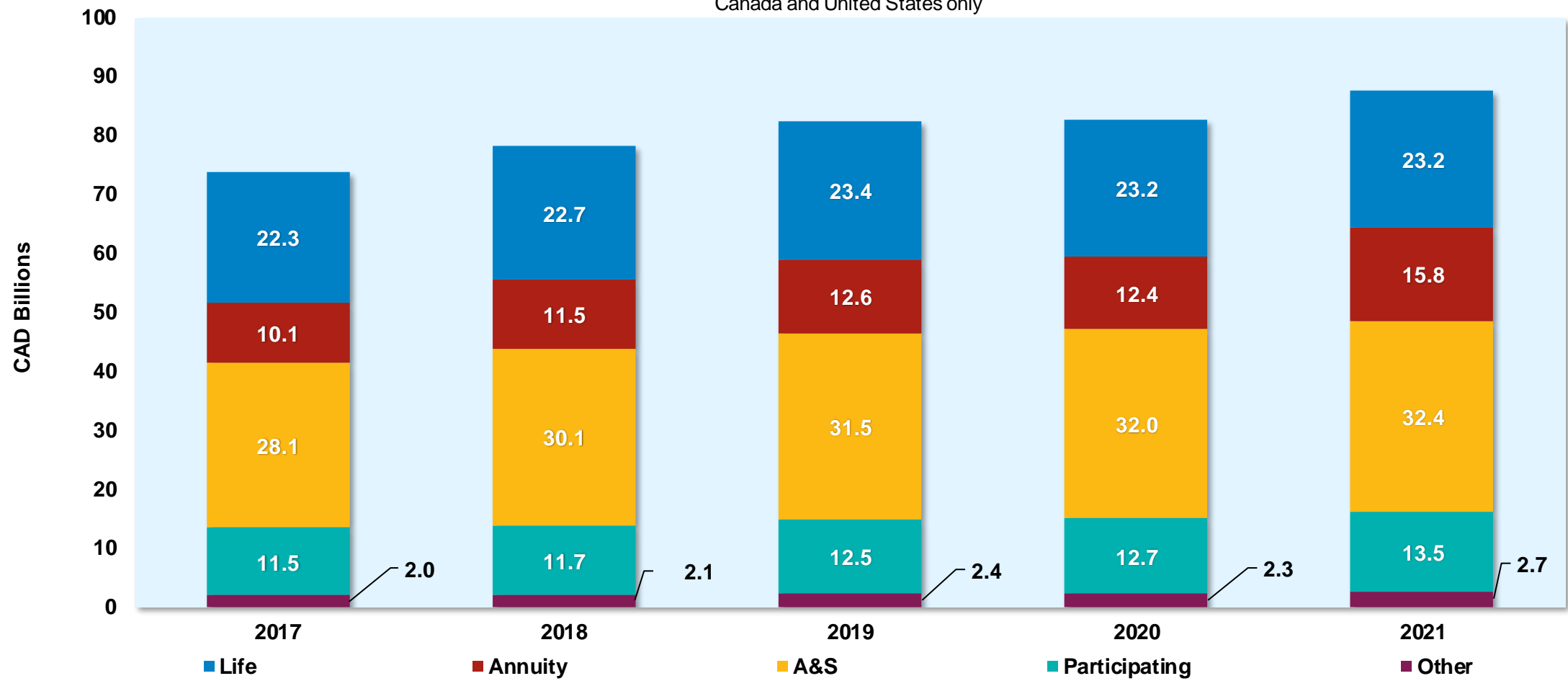
Pretax Operating Gains and Net Income

Canada Life – Pretax Operating Gains & Net Income, 2017-2021



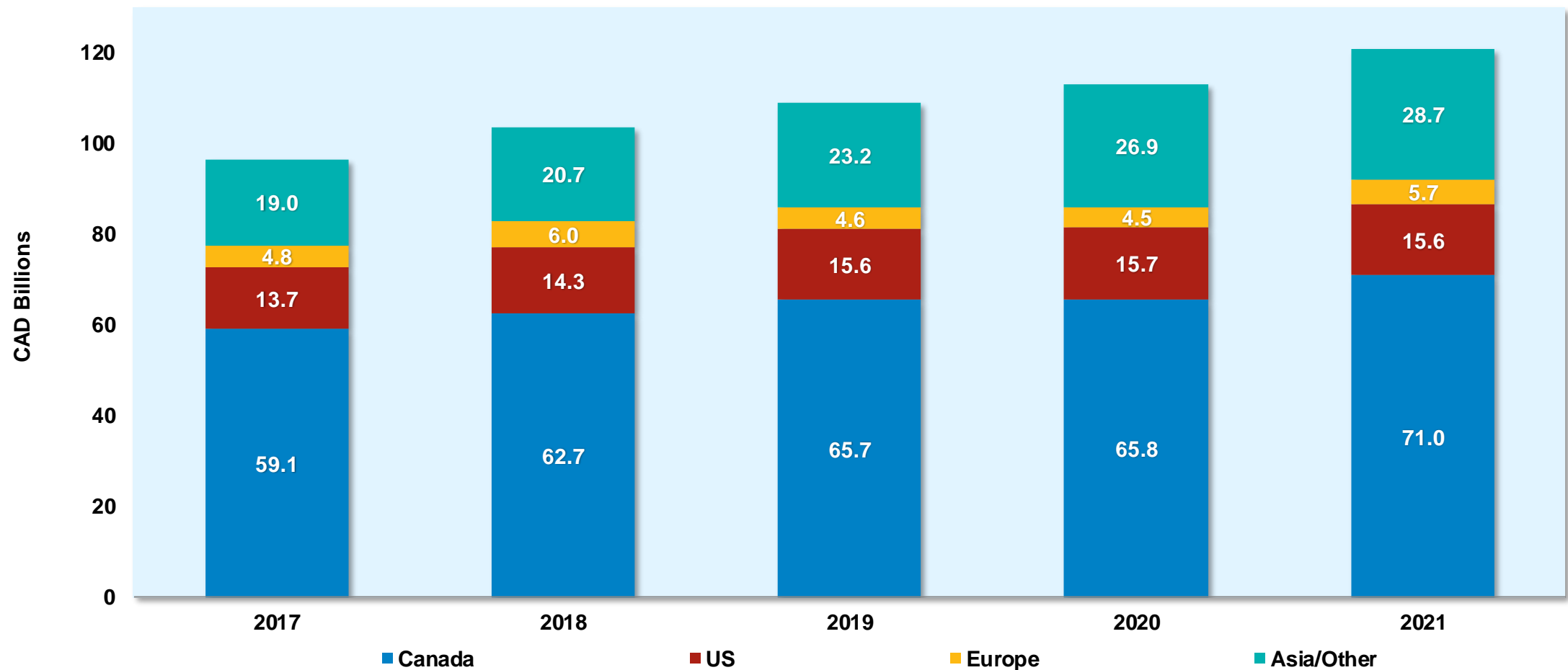
Direct Premiums Written

Canada Life – DPW by Line of Business, 2017-2021
Canada and United States only



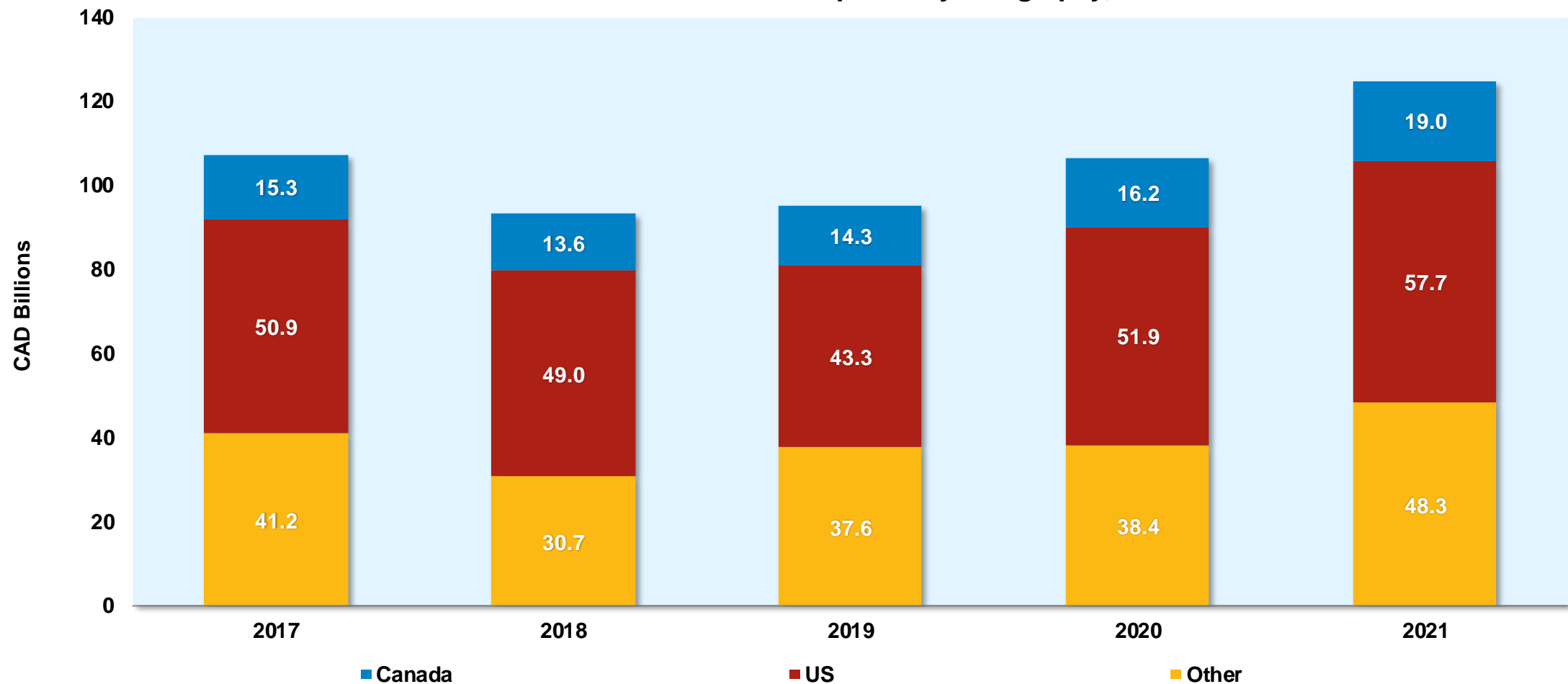
DPW by Geographic Distribution

Canada Life – DPW by Geographic Distribution, 2017-2021



Mutual Fund Deposits

Canada Life – Mutual Fund Deposits by Geography, 2017-2021



*Totals may not sum to 100 due to rounding.

Bond Portfolio Distribution

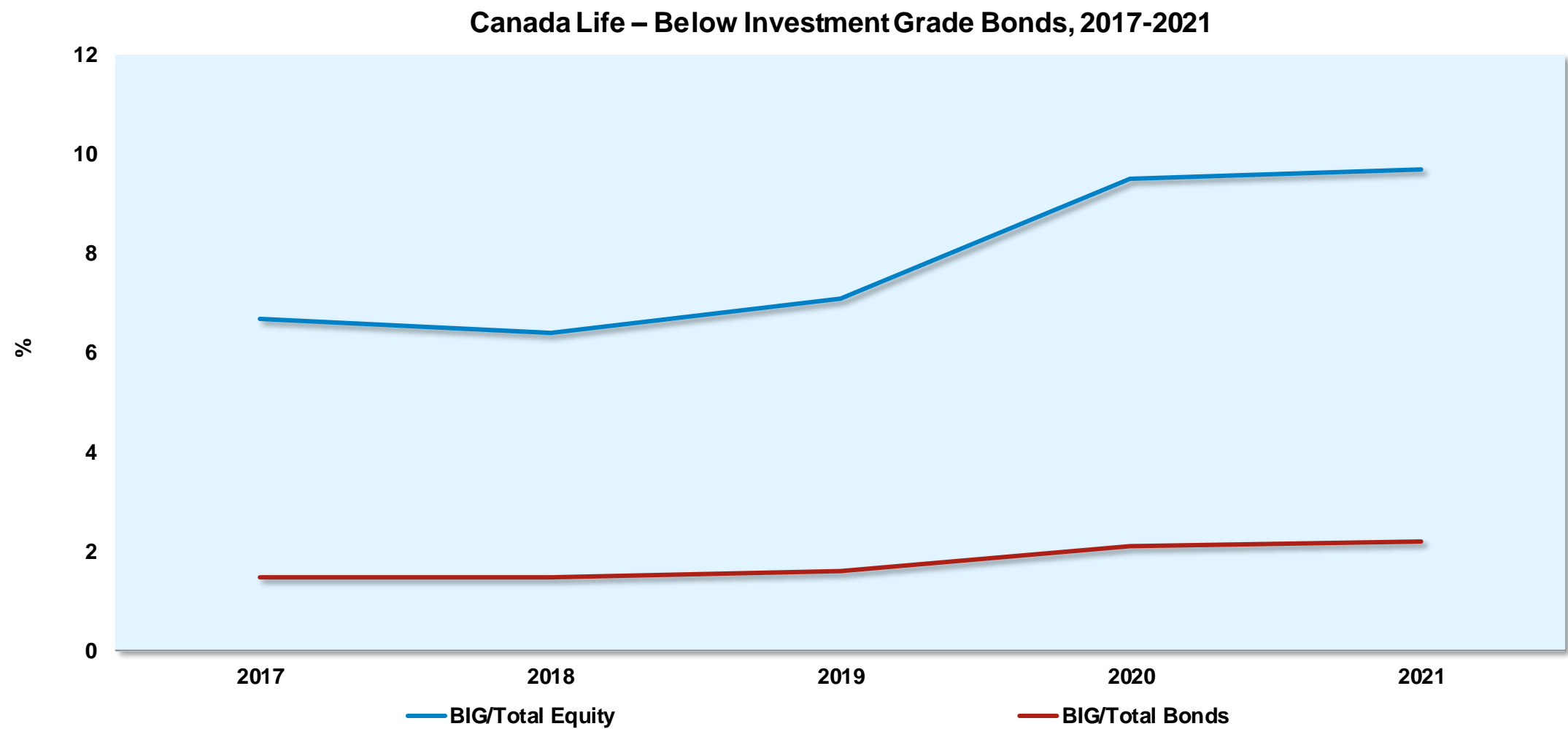
Canada Life – Bond Portfolio Distribution, 2017-2021 (%)					
Portfolio Components	2017	2018	2019	2020	2021
Government	36.0	34.3	34.0	33.5	32.3
Municipal, Public Authority, Schools	6.1	6.1	6.0	5.9	5.7
Corporate - Public	42.4	43.2	43.5	43.9	44.3
Corporate - Private	15.5	16.4	16.5	16.7	17.7
Total	100.0	100.0	100.0	100.0	100.0

Investment Allocation

Canada Life – Corporate Investments, 2017-2021					
	%				
Sector/Country	2017	2018	2019	2020	2021
Energy	10.7	10.5	11.0	10.5	9.7
Basic Materials	2.1	2.1	2.2	2.3	2.2
Industrial	10.4	10.8	11.1	11.6	12.1
Consumer Cyclical	4.9	4.7	4.3	4.2	4.1
Consumer Non-Cyclical	8.1	8.4	8.6	8.9	9.3
Diversified/Healthcare	2.2	2.3	2.4	2.3	2.3
Financial	21.7	22.0	21.3	21.4	22.0
Technology	1.9	1.8	1.9	1.9	2.2
Communications	3.7	4.2	4.3	4.6	4.6
Utilities	25.6	24.4	24.2	24.0	23.6
Other	8.7	8.8	8.7	8.3	7.9
Total All Sectors	100.0	100.0	100.0	100.0	100.0
Canada	36.3	36.2	34.4	34.3	32.5
United States	41.9	41.6	41.3	41.6	45.1
Other	21.8	22.2	24.3	24.1	22.4
Total	100.0	100.0	100.0	100.0	100.0

*Totals may not sum to 100 due to rounding

Below Investment Grade Bonds



Forward Looking Thoughts and Concerns

Inflation is a concern as it relates to potential weakening of economic strength

Longer term impacts of COVID-19 are subsiding

IFRS 17 and Best's Capital Adequacy Model

Global economic factors impact on credit fundamentals

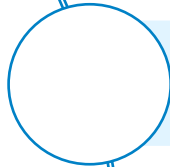
Canada Property/Casualty Outlook

Gordon McLean – Senior Financial Analyst

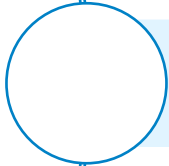
Agenda



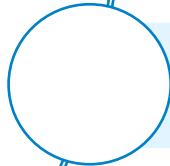
Market Share



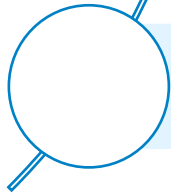
Ratings Distribution



Property Casualty – Components of Operating Earnings



Segment Trends – Auto and Property Lines



Industry Headwinds and Tailwinds

2021 Year in Review

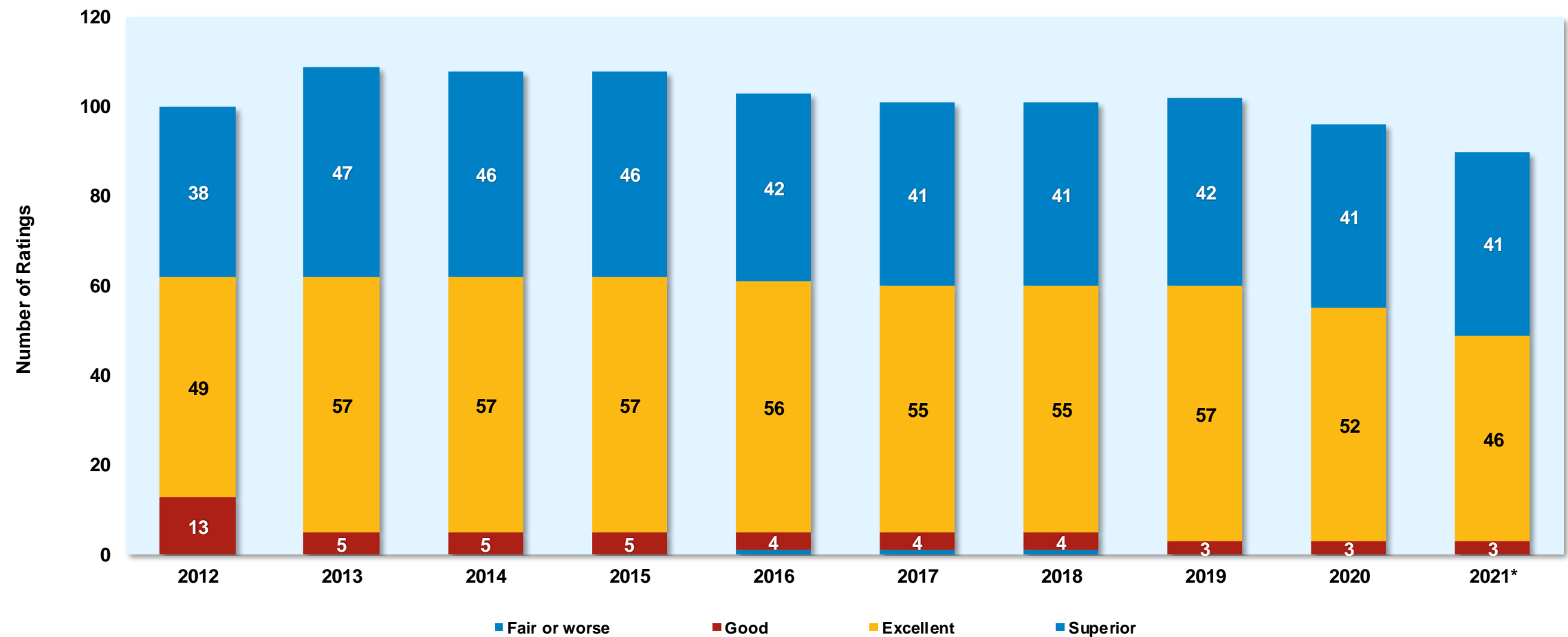
Top 10 Property/Casualty Writers

Canadian P/C Market Share – Top 10 at Year End 2021			
Rank	Group/Company	DPW (C\$B)	%
1	Intact Group	13.7	17.2%
2	Desjardin Group	6.1	7.6%
3	Aviva Canada Group	5.9	7.5%
4	TD Insurance Group	5.4	6.8%
5	Lloyd's Underwriters CAB	4.9	6.2%
6	Co-operators Group	4.9	6.1%
7	Wawanesa Mutual Insurance Company	3.9	5.0%
8	Definity	3.6	4.5%
9	AllState	3.1	3.9%
10	Northbridge Group	2.9	3.7%
	Total Market P/C Premium \$79.4 (C\$B)	54.4	71.9%

Source: AM Best data and research

Distribution of Ratings

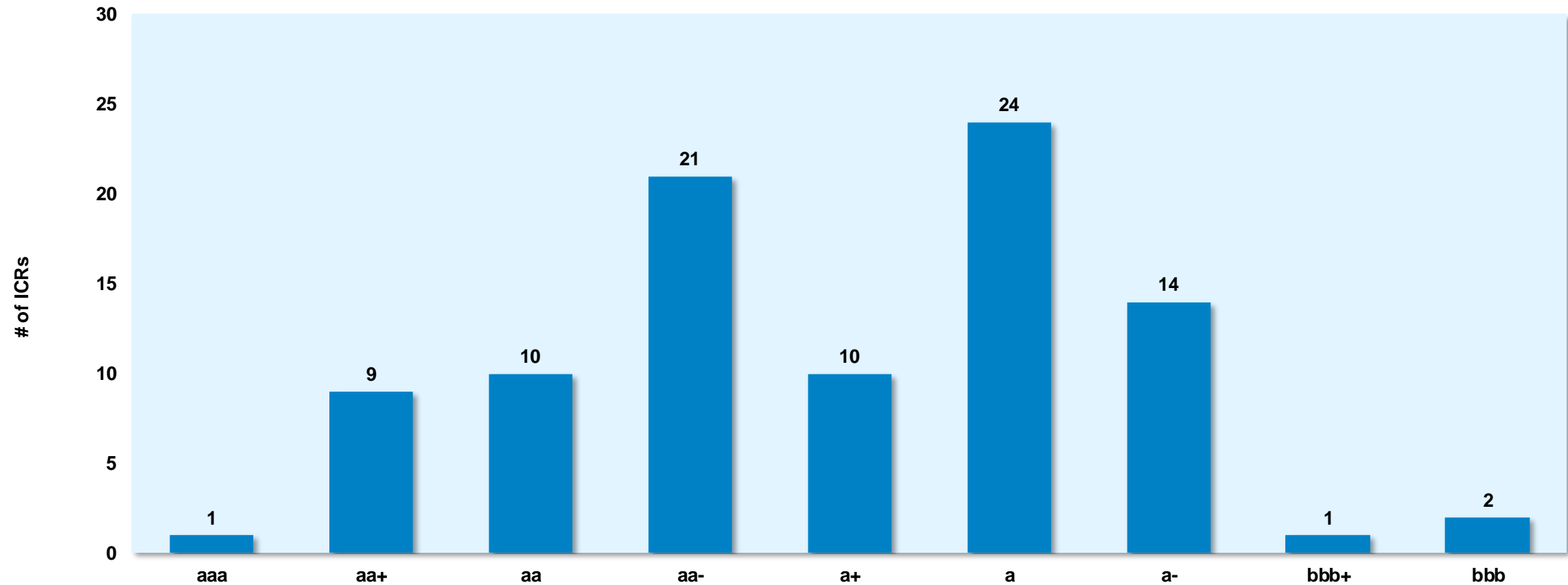
Interactive Ratings Distribution (2012-2021*)



*As of May 24, 2022

Distribution of Ratings

2021 Issuer Credit Ratings*



*As of May 24, 2022

Property Casualty Performance

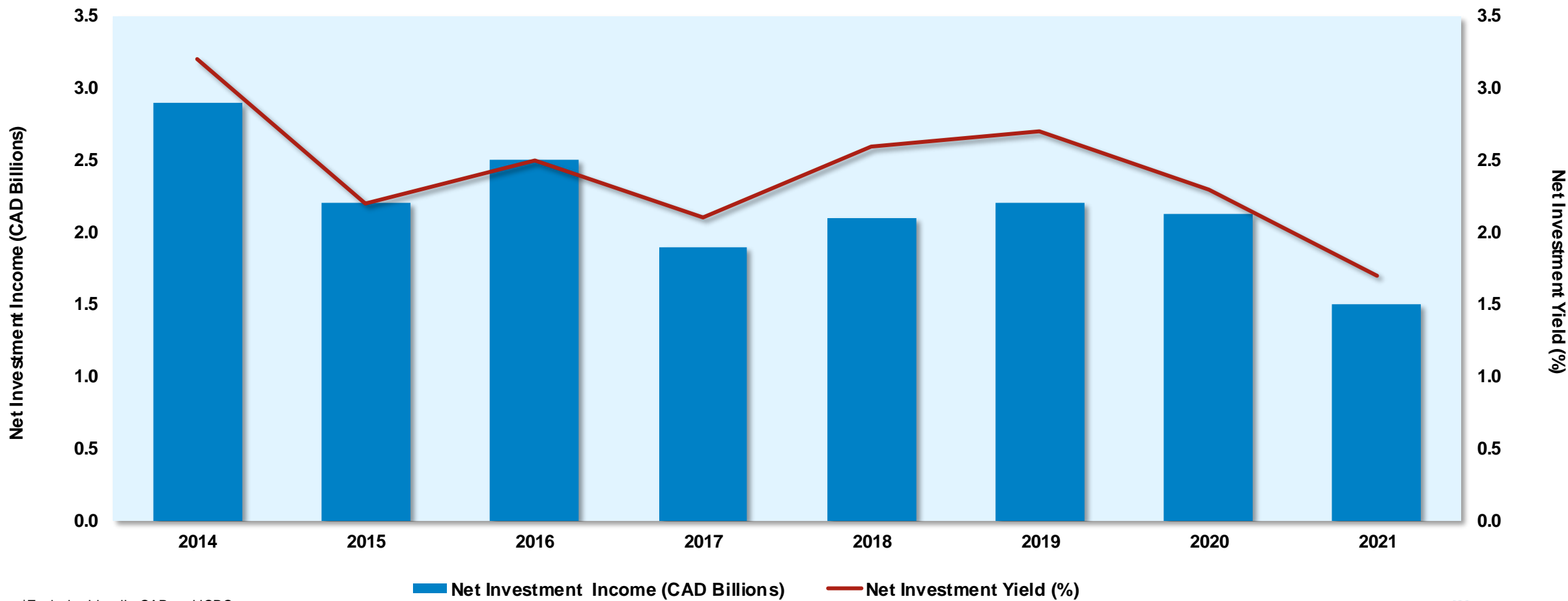
Net Income (2017-Q1 2022)* (CAD Billions)

	Net Underwriting Income	Net Investment Income	All Other Income / (Expense)	Income Tax	Net Income / (Loss)
2017	0.7	1.9	0.7	0.6	2.7
2018	-0.4	2.1	-0.1	0.3	1.4
2019	0.2	2.2	1.0	0.7	2.6
2020	1.9	2.1	1.8	1.2	4.7
2021	7.6	1.5	1.5	2.3	8.3
Q1 2021	1.8	0.4	0.3	0.6	1.9
Q1 2022	1.9	-0.1	-0.3	0.4	1.1

*Excludes Lloyd's, CAB and ICBC

Property Casualty – Investment Income

Net Investment Income to Net Investment Yield (2014-2021)*



*Excludes Lloyd's, CAB and ICBC



Property Casualty – Invested Asset Composition

Invested Assets (2014-2021)*

Category	2014	2015	2016	2017	2018	2019	2020	2021
Bonds & Debentures	67.6	68.0	57.2	54.5	53.4	52.4	52.2	48.0
Total Stocks	12.2	11.4	8.3	8.9	7.3	7.4	6.5	8.0
Mortgage Loans	1.0	1.0	0.7	0.7	0.8	0.8	0.8	0.7
Affiliated Invested Assets	3.6	3.5	3.7	4.5	5.4	5.7	5.5	5.8
Cash & Cash Equivalents	3.9	3.9	3.5	4.2	4.0	4.3	6.0	7.3
Other Loans & Invested Assets	11.7	12.1	26.5	27.2	29.2	29.3	29.1	30.3
Invested Assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*Excludes Lloyd's, CAB and ICBC

Combined Ratio Performance

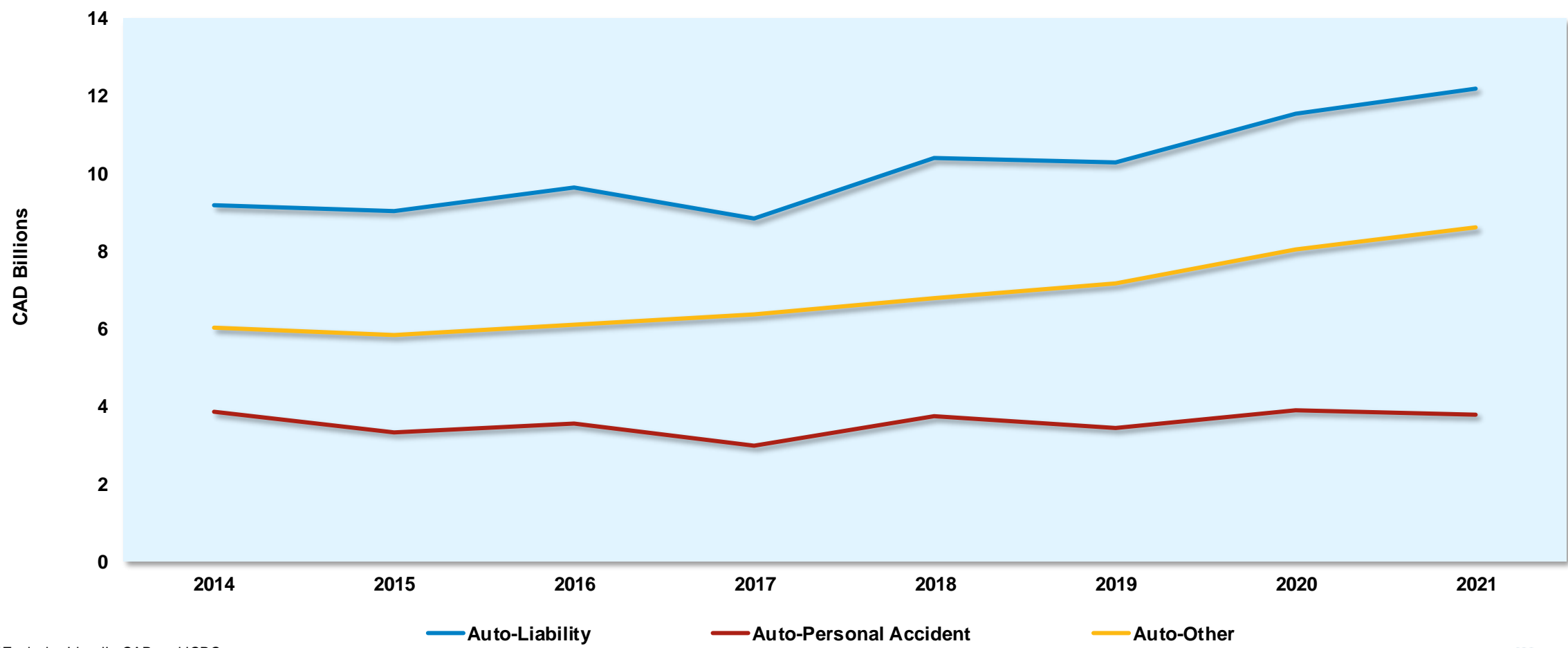
Combined Ratio Components (2014-2021)

	Net Premiums Written (CAD Billions)	Net Premiums Written Growth (%)	Loss & Loss Adjustment Expense Ratio	Underwriting Expense Ratio	Combined Ratio
2014	38.0	7.0	66.3	31.7	98.0
2015	39.3	3.5	63.2	32.2	95.4
2016	41.1	4.6	65.6	32.5	98.1
2017	40.7	-1.1	63.9	33.2	97.1
2018	43.8	12.8	69.6	31.9	101.4
2019	44.9	2.5	67.3	33.1	100.3
2020	51.1	13.0	64.9	31.9	96.8
2021	55.5	7.1	53.7	32.5	86.3

*Excludes Lloyd's, CAB and ICBC

Property Casualty – Auto Premium Trend

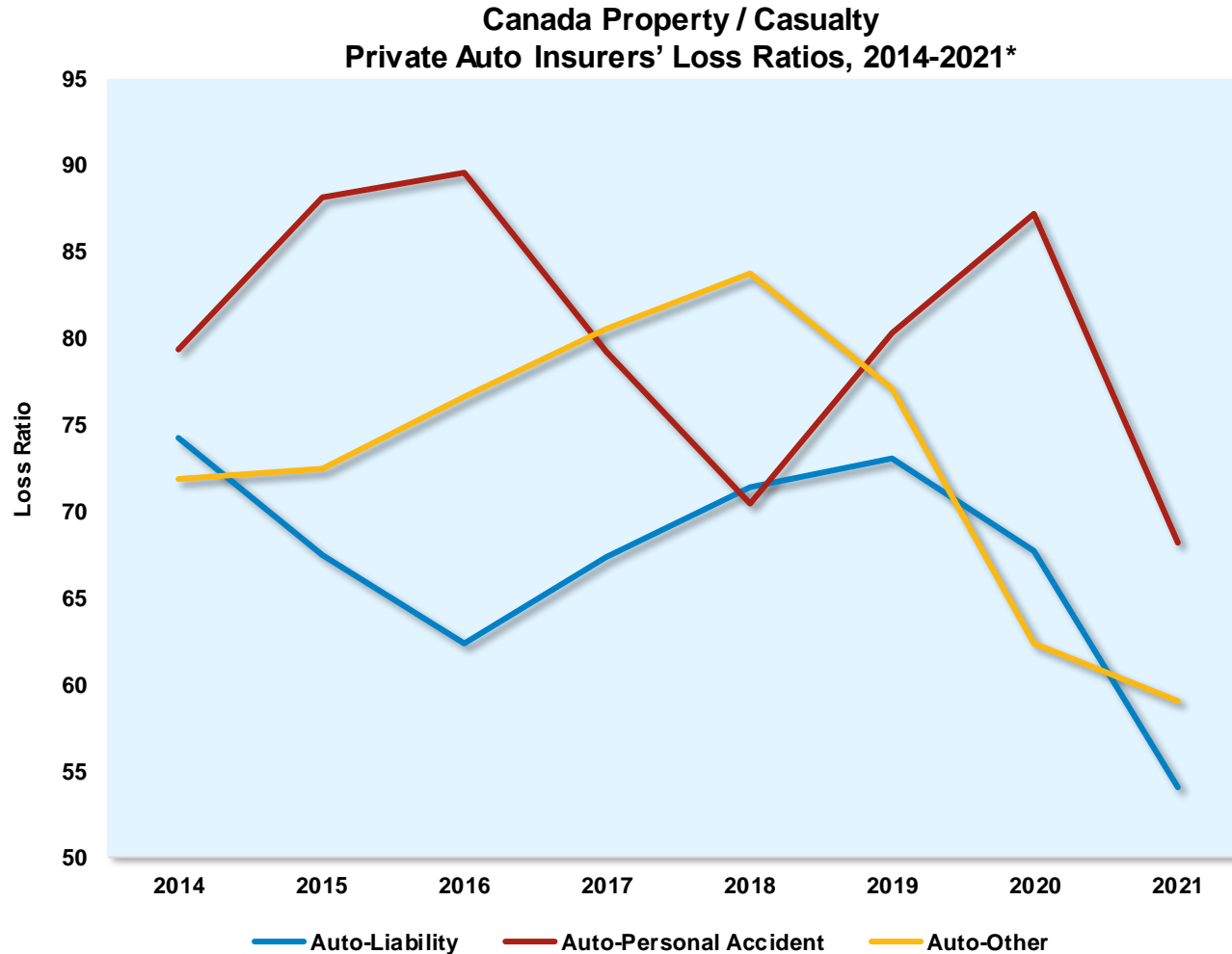
Private Auto Insurers' NPW, 2014-2021*



*Excludes Lloyd's, CAB and ICBC



Property Casualty – Auto Performance



*Excludes Lloyd's, CAB and ICBC

Observations

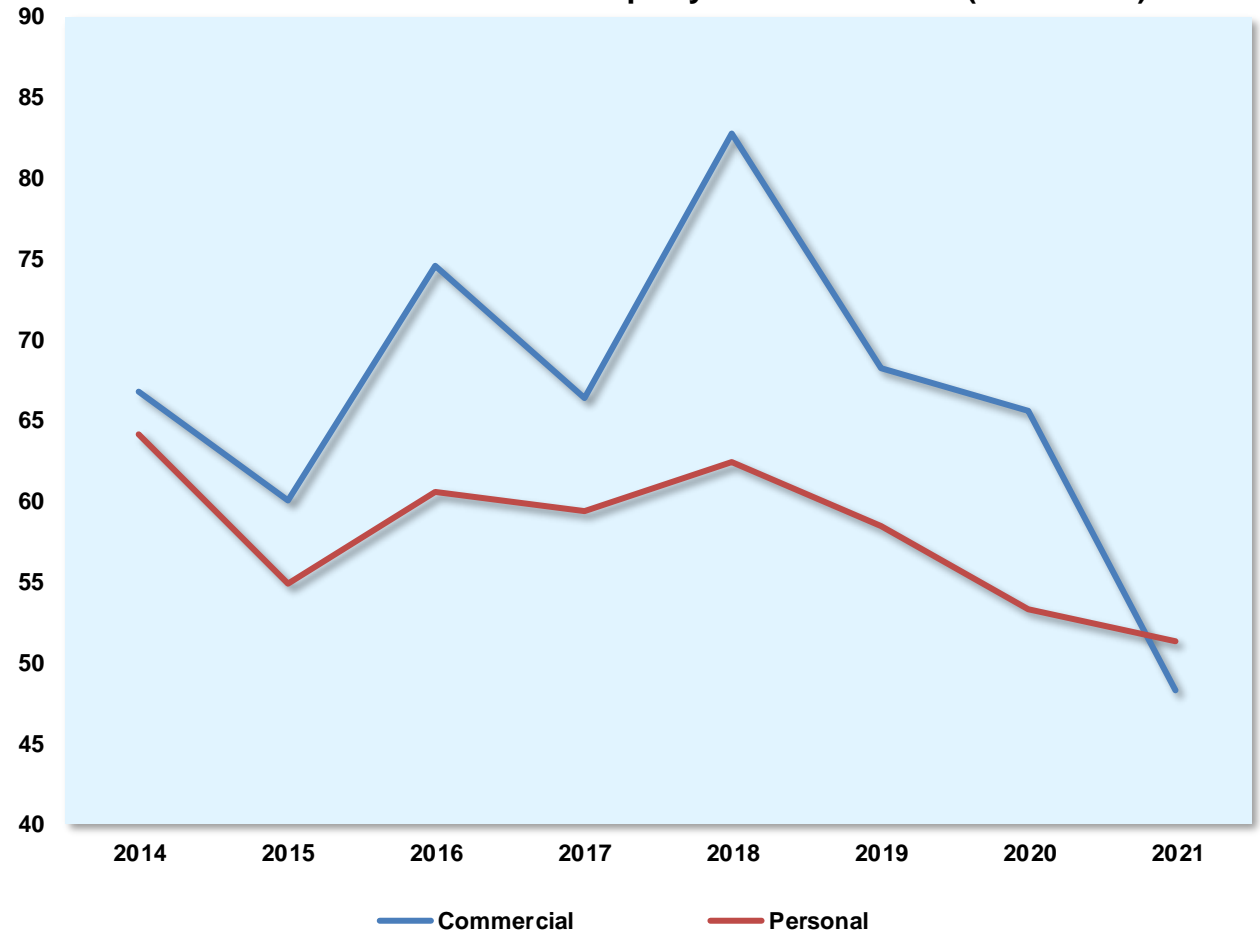
- Auto lines improve given improved rate structure, combined with reduction in loss frequency.
- Results benefit from a decline in miles driven and a shift in schedule, somewhat offset by distracted driving.
- Severity continues to rise, impacted by inflation, supply chain imbalances, and complexity to repair vehicles.

Property Casualty – Property Results

Observations

- Improved results benefit from firm market conditions, increased rates, and retention levels.
- Enhanced risk selection and pricing sophistication.
- Ongoing refinement in risk mitigation efforts.
- Growing risk of climate factors, supply chain imbalances and rising inflation remain a concern.

Personal and Commercial Property Net Loss Ratios (2014-2021*)



*Excludes Lloyd's, CAB and ICBC

Canadian PC Outlook

Segment Outlook – Canadian Property/Casualty

Headwinds	Tailwinds
Environmental sustainability	Solid balance sheet positions
Equity market volatility	Significant increase in operating profitability
Inflation impacting loss cost trends and balance sheets	Ongoing refinement in underwriting and distribution
Weather related concerns	Top line premium growth– despite the impact of COVID-19
Supply chain imbalances arising from COVID-19	Sustained favorable reserve development
Broker consolidation	High quality investment holdings, comprehensive reinsurance programs

Solid capitalization has been achieved through sustained retained earnings, with improved underwriting performance driving a significant increase in pre-tax operating earnings despite the impact of both frequent and severe natural catastrophe losses. The improvement in results reflect the reduction in auto frequency as well as a decline in property loss ratios, both benefitting from the COVID-19 environment. Carriers continue to refine both underwriting and claims handling initiatives, while expanding distribution and employing innovative ideas to strengthen market position. AM Best maintains a stable outlook on the segment.

Q&A

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