



Life and Health Insurance Industry Fact Sheet

Assets and Investments

The Canadian life and health insurance sector is a major component of Canada's financial services industry. The strength and soundness of the sector has received accolades from international bodies like the World Economic Forum (WEF) as well as from our own and foreign governments - this, in spite of the recent global financial crisis. Much of the credit for Canada's success throughout the crisis lies in the industry's prudent management of financial assets and in an effective risk- and principles-based regulatory system. Underpinning the industry's robust financial position are a range of assets and other investments. These secure financial holdings and investments ensure that Canadian life and health insurers' obligations to policyholders will continue to be met. In that regard, the following outlines the industry's financial holdings and investments:

Assets: The life and health insurance sector currently holds over \$411 billion in assets on behalf of Canadian policyholders and annuitants. It manages these assets through prudent investment strategies and a diligent underwriting process. This pool of capital provides one of the country's most important sources of long-term investment capital. Further, at the end of 2008, Canadian life and health insurers held a surplus of more than \$47 billion in Canada, which represents assets above and beyond what is required to pay expected claims.

Investments: Canadian life and health insurers have a long history of financial strength. The financial condition and capital adequacy of life insurers are subject to stringent regulatory supervision that requires that investments are more than sufficient to cover their obligations to policyholders, such as death claims, annuities and health care and disability income benefits.

The industry's performance over the years clearly demonstrates a prudent and long-term approach to

investments, which best serves policyholders. Specifically, Canadian life and health insurers invest in:

Bonds (Government and Corporate) - this type of investment vehicle accounts for 50 per cent of the industry's total assets. At the end of 2008, life insurers held \$71 billion in corporate bonds and over \$65 billion in government bonds. Almost 97 per cent of total bond holdings were considered "investment grade" in that they are among the highest rated bonds on the market.

Mortgages - in recent years, life and health insurers have reduced the relative size of their mortgage holdings. At the end of 2008, they held nearly \$41 billion in mortgage loans accounting for 15 per cent of their total assets. Of that amount, commercial mortgages were valued at \$24 billion and residential mortgages amounted to almost \$17 billion.

Real estate - these holdings exceeded \$14 billion at the end of 2008 and represent about 3 per cent of assets.

Stocks and Mutual Funds - Life and health insurers' general funds have little exposure to individual publicly traded stocks and totaled less than \$46 billion or 17 per cent of general fund assets. The industry's mutual fund holdings are in segregated funds, which are held and managed separately from the general fund assets and support investment-oriented products such as variable life and variable annuities

Cash and Cash Equivalents: Any remaining amounts are accounted for in cash or other deposits.

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