

ECONOMIC VIEWPOINT

Drivers and Outlook for Canadian Insurance Spending

By Randall Bartlett, Deputy Chief Economist

HIGHLIGHTS

- ▶ The insurance industry plays an important role in Canada's economy. But developments in the economy are also key to driving consumer demand for life, auto, property and health insurance.
- ▶ Employment is a notable contributor to inflation-adjusted insurance spending, particularly for insurance related to transportation (mostly auto). Employment growth also contributes to swings in real spending on life and health insurance, albeit less so than for transportation, but explains virtually none of the evolution in real property insurance spending.
- ▶ However, the influence of the economy and labour market on inflation-adjusted insurance spending has waned over time. Instead, consumer purchases of insurance are increasingly concentrated among the most affluent households. Aging demographics and estate planning play a central role in this shift, particularly for life insurance. The tendency for better-off families to own more expensive and numerous motor vehicles and homes, as well as their greater ability to purchase private health insurance, has further exacerbated the concentration of insurance sales among more affluent households.
- ▶ Rising premiums continue to reflect economic conditions, as elevated overall inflation feeds into rising operating and claims costs. But other factors are also pushing premiums higher. For transportation-related insurance, the post-pandemic rise in auto theft played an important role. Early indications suggest this trend may have stabilized or gone into reverse but still remains above historic levels. And then there are property insurance premiums, the cost of which has increased at twice the pace of overall inflation since 2019. Sky-high residential construction costs are part of the story, exacerbated by the rising cost of imports and US tariffs. Another major contributor is severe weather, particularly flooding, which has been steadily adding to the cost of insured property losses over time.
- ▶ Looking ahead, there is good reason to believe that insurance spending will continue to rise in Canada in the coming years. Part of this will likely reflect rising premiums, particularly for property insurance, due to a sustained advance in underlying cost drivers and generalized inflation. However, our relatively robust outlook for the Canadian economy suggests that inflation-adjusted insurance spending should gain ground as well, pushed ahead by employment gains and a rebound in population growth. That said, much will depend on the evolution of US trade policy. Demand for life insurance should also remain solid, as an aging population and rising economic inequality emphasize the need for estate planning in Canada.

The insurance industry plays an important role in Canada's economy and has been effective in helping Canadians understand the value it provides. For instance, the [Insurance Bureau of Canada \(IBC, 2024\)](#) notes that the insurance industry contributes meaningfully to Canada's GDP and job creation, promotes gender equality and adds to federal and provincial government coffers.

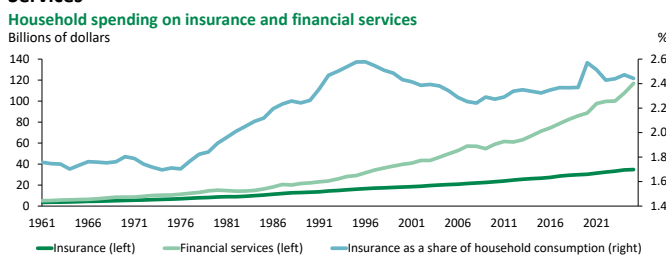
In this report, we don't attempt to recreate that work. Instead, we look to understand what drives consumer demand for insurance products in Canada, as well as the costs of insurance that Canadians pay. This is particularly relevant amid today's heightened economic insecurity, when employment is precarious and prices of almost everything are high and rising.

Trends in Household Spending on Insurance

In 2025, Canadian consumers spent \$38.4B on insurance. That works out to around \$2,200 per household, and is up from roughly \$1,850 in 2019, just prior to the COVID-19 pandemic. After adjusting for premium growth and household formation, real per-household insurance purchases have advanced at an average annual rate of about 1.0% since 2019.

Insurance spending has made up a relatively stable share of household consumption over the last three decades, at around 2.5% (graph 1). This contrasts with household spending on financial services, which has risen as a share of consumption over the past 30 years, having accelerated sharply starting in the mid-1990s.

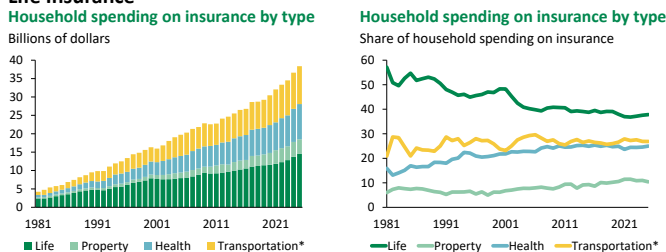
Graph 1
Households Are Still Buying Insurance but Spending More on Financial Services



Statistics Canada and Desjardins Economic Studies

Life insurance continues to make up the largest share of Canadian household spending on insurance, at close to 40% in 2025 (graph 2). It's remained at roughly that share since about 2005, after gradually falling from nearly 60% of consumer insurance spending in the early 1980s. That said, purchases of life insurance have increased unabated, just not as quickly as purchases of other types of insurance. This partly reflects the near-complete lack of inflation in life insurance in the 25 years before 2022.

Graph 2
Growth in Health, Auto and Home Insurance Spending Has Outpaced Life Insurance



* Insurance related to transportation is primarily composed of auto insurance
Statistics Canada and Desjardins Economic Studies

In contrast to life insurance, growth in household purchases of health insurance has been outpacing growth in spending on all other types of insurance, even after premium growth is accounted for. In 2025, health insurance comprised about 25% of household spending on insurance, up from less than 15% in the early 1980s. While not overly surprising given Canada's aging population, the sharpest increase was in the 1980s and 1990s, possibly reflecting the changing role of public and private healthcare as opposed to purely demographics.

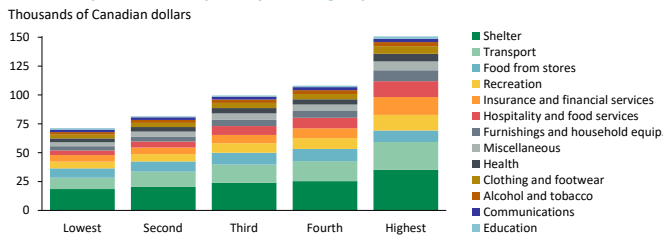
Meanwhile, the more modest rise in the share of household spending on property and transportation (mostly auto) insurance over the past few decades reflects both increased policy purchases and faster-rising prices. Of note, auto insurance regulation and provision differs considerably across provinces. For instance, British Columbia, Manitoba and Saskatchewan offer fully public, government-provided auto insurance for mandatory coverage, while Quebec uses a hybrid system where bodily injury is covered by the government but property damage requires private insurance. In contrast, the remaining six Canadian provinces rely on a private auto insurance market, where drivers purchase policies from independent, private providers rather than the government. Given the impact on premiums of the various insurance systems, this undoubtedly has a significant influence on individual purchasing decisions. (See this 2024 [report](#) by Oliver Wyman on auto insurance changes in Alberta for a more detailed comparison of insurance systems.)

Who Buys Insurance and Why?

The vast majority of Canadians own some sort of insurance, and often multiple types. If someone has a mortgage, rents an apartment, owns a car, has dependents or is planning for their financial future, insurance often plays an important, if not indispensable, role.

Unfortunately, data on household spending on insurance at different ages and levels of income aren't readily available from Statistics Canada. However, we do know that insurance and financial services together are disproportionately purchased by the highest-income households (graph 3 on page 3). In 2025, the top-earning 20% of Canadian households purchased roughly as much in insurance and financial services as the next most affluent 40% of households combined. When it comes to life insurance specifically, 70% of Canadians earning \$150k or more a year owned life insurance in 2023, according to a survey commissioned by the Life Insurance Marketing and Research Association (LIMRA, 2024). The rate falls slightly to 61% of Canadians earning between \$50k and \$149.9k (the so-called "middle market") but drops much more sharply to 41% for Canadians earning less than \$50k annually. Indeed, in 2024, just over 40% of Canadians said they don't have or aren't sure that they have life insurance coverage, with one third of those without insurance attributing it to cost ([PolicyMe, 2025](#)).

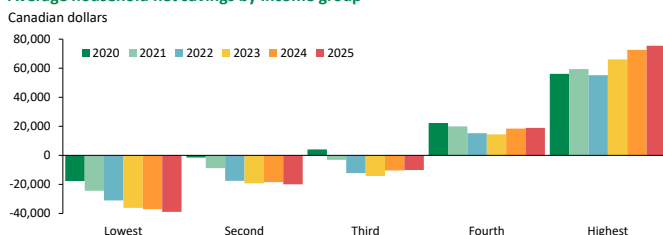
Graph 3
The Highest-Income Households Spend the Most on Almost Everything, Including Insurance
 Household private consumption by income group, 2025



Statistics Canada and Desjardins Economic Studies

It's little surprise that higher-income households purchase more extensive coverage. Property and casualty (P&C) insurance includes auto and home, and more affluent families typically have more valuable houses and vehicles. Life insurance is also used more extensively by better-off households for estate planning, as it can help to reduce tax liabilities faced by beneficiaries. Higher-income households are also those best able to save and build wealth even in the face of high and rising prices (graph 4), providing both the need for, and the means to purchase, insurance products.

Graph 4
High-Income Earners Have Increased Their Savings Despite Elevated Inflation
 Average household net savings by income group*

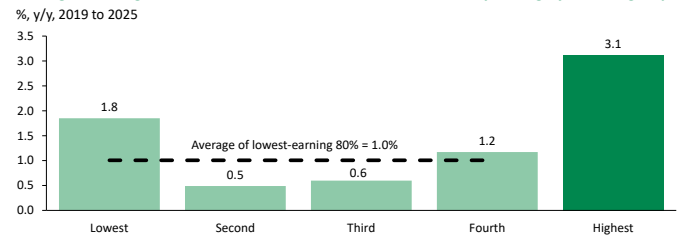


* Both income and consumption, as presented here, are at the household level and include social transfers in kind, such as those for health and education

Statistics Canada and Desjardins Economic Studies

As the population ages and considerations around estate planning become more front of mind, this trend of greater insurance purchases by more affluent households can only be expected to accelerate. This fits with our findings at the national level. In inflation-adjusted terms, the highest-earning fifth of households have been increasing purchases of insurance and financial services at more than three times the pace of the remaining 80% of Canadian households since 2019 (graph 5).

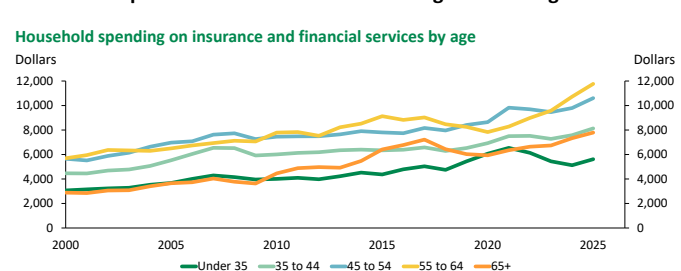
Graph 5
High-Income Earners Have Been Accelerating Purchases of Insurance and Financial Services Since 2019
 Average annual growth in real insurance and financial services spending by income group % y/y, 2019 to 2025



Statistics Canada and Desjardins Economic Studies

Turning to demographics specifically, household spending on insurance and financial services is highest between the ages of 45 and 64 (graph 6). It's little surprise that these are also the prime earning years for Canadians. Indeed, the decade from 45 to 54 is when average household disposable income peaks (\$138K in 2025), although it falls off only modestly in the decade starting at age 55 (\$114K in 2025). And while spending on insurance and financial services slows sharply after age 65, this group has seen its share of purchases of insurance and financial services rise steadily over the past 15 years. When it comes to life insurance specifically, LIMRA found that in 2024, the number and average face amount of policies were highest among Canadians ages 35 to 44, largely because of term insurance policies (graph 7 on page 4). This may speak to the potential income replacement role that life insurance plays in the event of unexpected death. Males are similarly likely to have a disproportionate share of life insurance, particularly term insurance, possibly for similar reasons. This makes sense, as women are four times more likely to be widowed than men, according to [IPC Wealth \(2017\)](#).

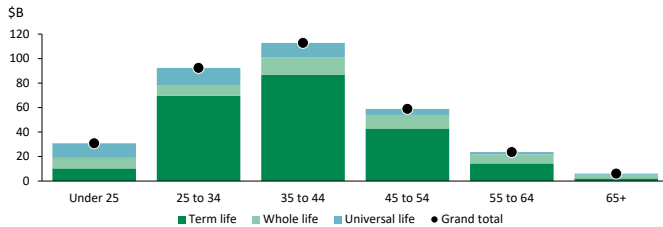
Graph 6
Insurance Expenditures Are Greatest in the Highest-Earning Years
 Household spending on insurance and financial services by age



Statistics Canada and Desjardins Economic Studies

Graph 7
Life Insurance Is Disproportionately Held by Adults Ages 25 to 44

Face amount of all life insurance products, 2024



Life Insurance Marketing and Research Association (LIMRA) and Desjardins Economic Studies

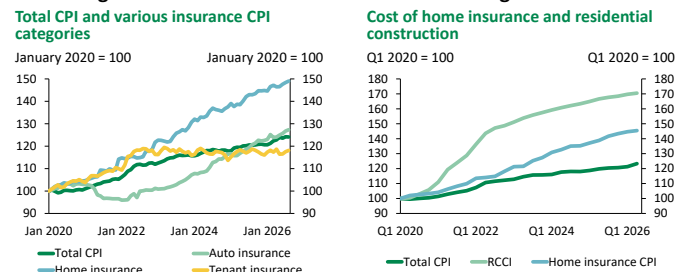
The Role of the Economy in Insurance Spending

In many ways, the changing nature of insurance demand—becoming more concentrated among older and more affluent households—reflects trends in the broader society and economy. Aging demographics and the need for end-of-life tax planning, particularly for consumers with more complex needs such as business owners, are part of the story. Additionally, growing income and wealth inequality in the post-pandemic period have further accelerated the insurance and tax planning needs of more affluent households. These also tend to be households that are less burdened by immediate concerns about inflation or job loss.

The Rising Price of Premiums

But for most Canadian households, budgets are getting squeezed by high and rising costs. Since the start of 2020, the total Consumer Price Index (CPI) has gone up over 24%, with energy (+39%), food (+32%) and shelter (+30%) all pushing the general price level higher. Increases in insurance premiums typically lag overall inflation, as rising claim and operating costs are incorporated into pricing over time. This is particularly true for P&C insurance, such as home and auto. Rising premiums for these types of insurance have been further exacerbated by the increasing cost of natural disasters, such as floods and wildfires, as well as auto theft ([Ratehub.ca, 2026](#); [Équité Association, 2026](#)). And according to a recent survey commissioned by [Desjardins \(2026\)](#), Canadians also say they are navigating more complex, high-pressure driving conditions than in the past. That said, the cost of auto and tenant insurance broadly kept pace with the general price level during the high inflation period that followed the pandemic, although it wasn't a straight line (graph 8, lefthand chart). For instance, the cost of auto insurance dipped considerably into early 2020 as people remained at home for public health reasons. However, the price of auto insurance premiums reaccelerated once the world began to return to normal and the frequency of claims rebounded, eventually catching up with the overall level of prices.

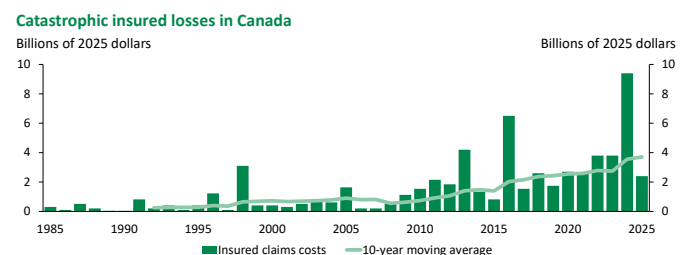
Graph 8
The Rising Price of Home Insurance Reflects the Rising Cost of Claims



CPI: Consumer Price Index; RCCI: Residential Construction Cost Index
Statistics Canada and Desjardins Economic Studies

Meanwhile, the cost of property insurance has advanced at nearly double the pace of overall prices (graph 8, righthand chart). This has been driven in part by higher replacement costs, as the cost of residential construction has risen more quickly than general prices since the end of 2019 and remains elevated. Another reason is the rising frequency of claims due to a combination of severe weather events and aging infrastructure. According to the [IBC \(2026\)](#), severe weather-related insured losses in Canada exceeded \$2.4B in 2025, reflecting everything from ice storms in Ontario and Quebec and wildfires in Manitoba and Saskatchewan to hailstorms in Alberta and atmospheric rivers in British Columbia. However, this paled in comparison to 2024, which saw the record for insurance losses due to severe weather, at \$9.4B in 2025 dollars. The last decade alone has seen eight of the ten most costly years for insured losses on record, including the past six consecutive years, even after controlling for inflation (graph 9). More specifically, [Statistics Canada \(2026\)](#) observed that “over the past six years, flooding has remained a primary driver of insured losses in Canada, reflecting both increased frequency and severity of extreme precipitation events.” And according to [Public Safety Canada \(2022\)](#), nearly 90% of flood-related insurable losses are concentrated in the top 10% highest-risk homes, with more than 34% concentrated in the top 1% of highest-risk homes.

Graph 9
Catastrophic Insured Losses Keep Rising in Canada, Even After Inflation



Insurance Bureau of Canada and Desjardins Economic Studies

It should be noted that insurers have introduced a range of initiatives aimed at improving affordability and reducing future losses. These include telematics and usage-based pricing, investments in fraud and auto-theft prevention, enhanced risk modelling, more flexible product designs and programs that promote property resilience. Although these initiatives cannot fully eliminate the impact of inflation, severe weather and higher rebuilding costs, they are intended to improve risk outcomes and help limit the long-term cost burden on policyholders.

[Insurance Sales Are More than Just Premiums](#)

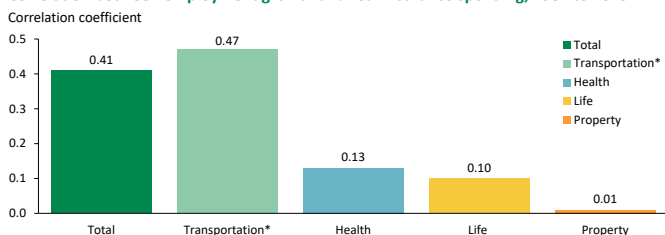
Even after accounting for the rising cost of premiums, Canadians have increased their purchases of insurance since the pandemic. Unfortunately, it's not possible to extrapolate from Statistics Canada data which income or age groups have purchased the most of which type of insurance, or whether it's the number, size or coverage of policies that have increased. But there are some broad trends and general relationships with the real economy that can be drawn from inflation-adjusted insurance spending.

In particular, the labour market still matters for consumer spending on insurance. For example, employment growth explains about half of the historical growth in inflation-adjusted consumer spending on insurance related to transportation, likely due to the relatively high propensity to drive to and/or for work in Canada (graph 10). However, employment growth explains only about 10%–15% of the change in real life and health insurance spending and little to none of the change in real property insurance spending, though it is a positive driver in all cases. Real disposable income growth has even less explanatory power across all insurance types than employment growth in Canada. This is a distinct break from the past, as research across a broad group of countries suggests that real incomes have historically been an important driver of insurance spending, particularly for life insurance ([World Bank, 2003](#)). Private health insurance is also often employer-provided, suggesting it too should be more closely tied to employment than the data suggest.

Graph 10

Employment Growth Remains Relevant for Insurance Spending

Correlation between employment growth and real insurance spending, 1982 to 2025



* Insurance related to transportation is primarily composed of auto insurance
Statistics Canada and Desjardins Economic Studies

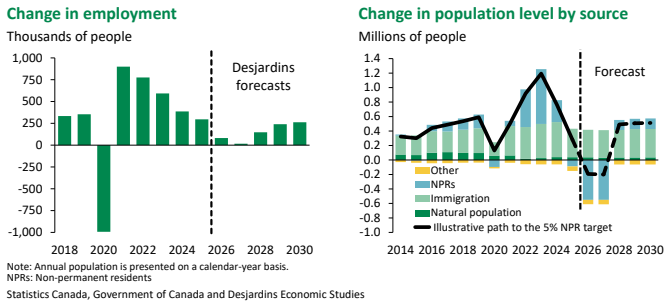
Part of the reason that the labour market isn't a stronger driver of inflation-adjusted insurance spending may be related to the mandatory nature of many types of insurance. For instance, home insurance is typically required for a mortgage in Canada, and nearly all Canadian homeowners carry some form of property insurance ([Insurance Business, 2025](#)). Meanwhile, all Canadian provinces require motor vehicles operated on public roads to be insured. Depending on employment circumstances, Canadians may increase their deductible or reduce their insurance coverage as opposed to ending it entirely. This may be done to lower premiums without entirely relinquishing what has already been paid into the policy or potentially facing a higher premium upon taking out the same policy again in the future. Recent auto insurance reform in Ontario, which gives drivers the choice to opt out of certain optional coverages such as income replacement benefits, suggests public policy may be shifting to allow for greater flexibility in this regard ([IBC, 2026](#)).

The Outlook for the Economy and Insurance

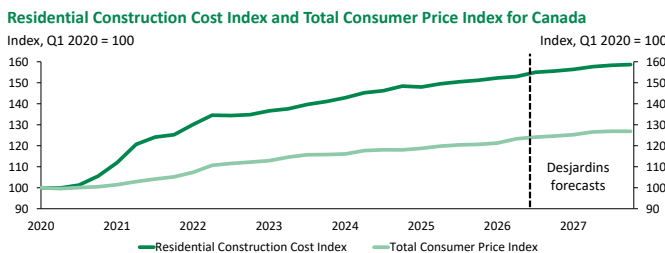
When thinking about the outlook for consumer demand for insurance in Canada, there are a few important things to keep in mind. In this section, we first look at the near- and medium-term drivers of household spending on insurance. Then we turn to the long-term structural drivers of insurance cost and demand.

[Near- and Medium-Term Drivers of Insurance Spending](#)

In the next two to five years, a key factor driving insurance demand will be how the economy performs in the face of ongoing economic disruptions from south of the border. The erratic implementation of tariffs on imports from all over the world has created significant trade uncertainty among the United States' largest trading partners, including Canada. There is a risk that employment growth could slow or even turn negative, thereby weighing on inflation-adjusted spending on insurance in Canada. Indeed, [the recent reescalation in tariff threats](#) has raised new concerns about the outlook for trade and the Canadian economy. If the current trade tensions can be resolved, we expect employment growth to begin accelerating in 2028, reflecting the resumption of population growth as newcomer admissions return (graph 11 on page 6). Stronger employment and population growth should be a tailwind to overall consumer demand, and spending on insurance along with it.

Graph 11
Employment and Population Growth Are Expected to Rebound


At the same time, inflation should also play a key role in pushing insurance premiums higher. High and rising [residential construction costs](#) should maintain upward pressure on home replacement costs and property insurance premiums (graph 12). A return to population growth should also support higher rents and home prices, providing a further tailwind to property insurance costs. And while inflation is expected to return to around the Bank of Canada's 2% target next year, we don't see the post-COVID price increase reversing itself. As a result, elevated overall prices are likely to be reflected in the operating costs of insurance companies and may eventually get passed on to consumers as well. In contrast, the post-pandemic rise in auto theft that played an important role in pushing up insurance premiums has shown early indications that it may have stabilized but still remains above historic levels ([Statistics Canada, 2025](#); [Statistics Canada, 2026](#)). Slowing price growth of motor vehicles and parts since 2023 may also help to moderate the rise in auto premiums going forward.

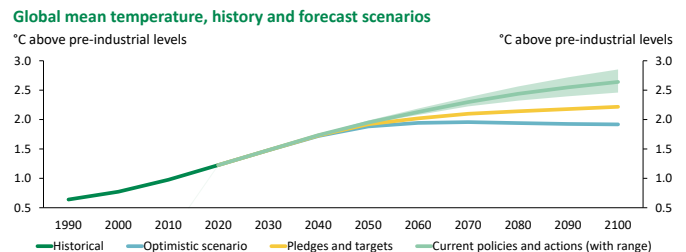
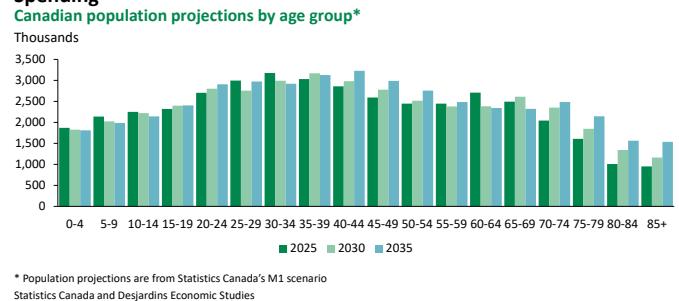
Graph 12
Residential Construction Cost Growth Is Expected to Outpace Inflation


Long-Term Drivers of Insurance Spending

Over the long run, as the warming of the planet continues to exacerbate climate change (graph 13), the frequency and cost of severe weather events are likely to continue rising. This means that property insurance claims in particular may escalate further absent coordinated and sustained risk-reduction initiatives. Adaptive measures may be required to support resiliency and

mitigate rising costs. Life, health and auto insurance are less directly impacted by the changing climate, but sharply higher premiums in one area of service risk a higher overall cost of doing business.

Demographics and rising wealth and income inequality could further concentrate insurance sales among more affluent Canadians through the end of this decade and beyond, particularly when it comes to life insurance (graph 14). Indeed, this accelerating trend of the last couple of decades shows no signs of abating and could further decouple trends in consumer spending on insurance from broader economic trends.

Graph 13
Without Renewed Action, Global Temperatures Risk Rising Unabated

Graph 14
Canadians Are Getting Older, Which Should Support Life Insurance Spending


Conclusion

All told, there is good reason to believe that consumer insurance spending will continue to rise in Canada in the coming years. Part of this is likely to reflect rising premiums, particularly for property insurance, due to a sustained advance in underlying cost drivers and generalized inflation. However, our relatively robust outlook for the Canadian economy suggests that inflation-adjusted insurance spending should gain ground as well, pushed ahead by employment gains and the return of population growth. Demand for life insurance should also remain solid, as an aging population increases the need for estate planning in Canada.