

GREETINGS FROM RCC CHAIR VALERIE BARBER



The RIMS Canada Council (RCC) is a subcommittee of the Risk and Insurance Management Society, Inc. (RIMS). We represent the interests of Canadian RIMS members and chapters in support of RIMS' mission to "empower risk professionals to strengthen organizational resilience by driving strategic decision-making and improving business outcomes."

It is my honour and privilege to serve a second term as RCC Chair in 2026. My first RIMS event of the year was the RIMS Leadership Forum in Orlando from January 29 to 30. The meetings opened with a moving tribute to our friend and colleague Leslie Whittet, RIMS Chief Membership Experience Officer, who passed away on November 30, 2025. Leslie was an enthusiastic, dynamic force and played a significant role in planning this annual event, so her presence was deeply missed.

At the Forum, RIMS and The Foundation for Risk Management introduced the Susan Meltzer Scholarship

Fund. Susan sadly passed away on September 27, less than two weeks after accepting her RIMS Risk Management Hall of Fame Award at the RIMS Canada Conference in Calgary. The fund honours Susan's leadership and service and will help enable five or more Canadians to attend the RIMS Canada Conference each year. More information will be shared as details become available.

The Leadership Forum agenda also highlighted timely topics, including the *2025 Risk Management Compensation Survey*; opportunities for chapters to leverage The Foundation; the Chapter Checklist; growing community through member

recruitment and retention; sparking volunteer involvement; and addressing inter-generational gaps. On day two, participants explored future industry impacts and the RIMS Strategic Planning keynote. To learn more, connect with your chapter leadership, browse the RIMS website, or reach out to Eric Bernard, RIMS Director, Member & Chapter Engagement, at ebarnard@rims.org.

Beyond the educational program, the Leadership Forum was a terrific opportunity to connect with the RIMS 2026 Global Board of Directors,

including newly installed RIMS President Manny Padilla, and our new RCC Board Liaison, Will Lehman. It was also a pleasure to meet chapter leaders from across the globe, including Canadian leaders representing eight of our 10 chapters. Finally, we were glad to thank our past Board Liaison, Ann Barry, for her leadership and to extend best wishes as she begins her next role on the RIMS Board.

January 2026 also marked the debut of the inaugural RIMScast Canada podcast episode. Hosted by Aaron Lukoni, Chair
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of the National Conference Committee, this video podcast series features interviews with professionals from the Canadian risk management community, along with RIMS Canada Conference updates and previews of speakers and topics. Episodes continue to be released monthly, and members can visit the RIMS Canada website homepage to watch.

RISKWORLD 2026 took place in Philadelphia from May 3 to 6 and brought together

the global risk management community for educational sessions, networking and industry recognition. It was especially encouraging to see Canadian leadership reflected in this year's honours, including the Harry and Dorothy Goodell Award, which was presented to Nowell Seaman of Federated Co-operatives Limited, and the Volunteer of the Year Award, which was presented to Candace Heron of Toronto Hydro. In addition, the Ontario Chapter was honoured with the RIMS Community Impact

Award and the Saskatchewan Chapter received a Chapter Award. Congratulations to all of the 2026 award recipients whose work continues to advance the profession and strengthen our community.

Later this year, the RIMS Canada Conference 2026 will mark our 50th annual in-person conference—an exciting milestone for our community. This year's event will be hosted in "La Belle Province," Québec City, from October 18 to 21. To help celebrate, we have asked all chapter presidents and RCC

representatives to share chapter photos from over the years so we can enjoy the memories together. Please continue to watch your email and social media channels for conference updates and anniversary highlights in the months ahead.

The RCC is here to serve you, our Canadian RIMS members. Please reach out to your chapter's RCC representative, or connect with us anytime at rims canadacouncil@gmail.com.

Valerie Barber

Chair, RIMS Canada Council

Why Canada's Commercial Market Could Start to Firm Up in 2026 H2

by David Gambrill, *Canadian Underwriter*

Given widening gaps between commercial property and liability exposures and commercial insurance premiums, one industry exec sees some select commercial lines starting to firm up in mid-2026, with a broader market correction happening in early 2027 if the trend continues.

"Through the rest of 2026, I would expect to see those NISR [net insurance service ratio] numbers continue to creep up as we see cost inflation, as we see business interruption timelines going up," says Lasith Lansakara, vice president of strategy and product innovation at HSB Canada.

"I don't think it would be a broad rate correction, but you'll see selective lines starting to harden a bit by mid this year. And then I would expect by early next year again, if the condition continues — it's hard to predict at this point — but I'd expect to see broader rate correction towards the end of this year, early 2027 and mid-next year."

Lansakara was on a panel discussing the state of commercial lines at the Insurance Bureau of Canada's 2026 InSight Summit conference

held in Toronto on Apr. 1. He says reinsurers would likely start to price for cost inflation and longer business interruption times in July 1 renewals.

NISR is a measure of profitability. It adds a company's gross insurance service ratio — a division of expenses (i.e., claims) by revenue (i.e., premiums) — and a reinsurance impact ratio. The reinsurance ratio is calculated by dividing net expenses from reinsurance contracts held by insurance revenue. Numbers greater than 100% mean a company is losing more money than it is making.

MSA Research numbers shown at IBC's InSightSummit show NISRs in aviation lines in several areas across Canada are higher than 100%. The same is true of commercial general liability lines (including products). In eastern Canada, the legal expense line has NISRs above 100%.

Lansakara was commenting on slides presented by Sarah Fong, vice president of MSA Research. The slides showed gaps between an increase in commercial liability and property exposures, and commercial insurance premiums collected. For example, although



GDP growth in Canada was 3.2% in 2025, total commercial liability premiums (\$5.8 billion in direct written premiums in 2025) declined by 1.6% overall. Similarly, non-residential construction investment in Canada rose 2.6% in 2025, but commercial property premiums (about \$7.48 billion in direct premiums written) decreased by 0.13%.

“We’ve got commercial liability premiums, I’m tracking this against what we use as a proxy for exposure, that being the income-based nominal GDP,” Fong says. “This tracks a lot of things like salaries and revenues, things you would see come through as an exposure for liability.

“Starting from 2021, liability premiums growth is leading and [nominal GDP growth] is following. They’re pretty much tracking together until you see a bit of the flip in 2023. Then, the exposure remains right around 5%, and it drops a little bit, down to 3.2% in 2025, whereas liability premiums really drop off there. We’re now into negative [premium] growth.

“Similarly, we’re seeing commercial property in 2021 coming out of the hard market period, premium growth was up, exposure was down. In the post-COVID period, that picks up — we’re using non-residential construction investment here as proxy — and [premiums and exposure growth are] largely tracking together. But then again, as we get to 2025, you see that gap widening between the premiums and the exposure growth.”

Based on these trends, Fong asked Lansakara, which specific

commercial lines may start to firm up earlier than others?

Pricing for aviation is one of the possibilities, Lansakara says. “It’s probably almost a crapshoot right now. I saw Emirates Airlines got coverage at about \$100,000 to cover their whole fleet, whereas other airlines are getting it close to \$70,000 to \$100,000 per aircraft. That’s...a significant delta in pricing there. So it’s a complete crapshoot.”

Marine rates will likely firm up as well, Lansakara says, due to increased shipping exposures caused by the U.S. and Israel’s war against Iran. “It’s really hard to price shipping because of the uncertainty caused by the war,” he adds. “Even if you look at the conflict in the Middle East, there is talk now of the U.S. pulling back. And so if that happens, what happens to the Strait of Hormuz?”

Approximately one-fifth of the world’s oil is shipped through the Strait of Hormuz, which Iran has effectively closed to shipping traffic in response to the U.S. and Israel’s attacks. “How much will those shipping costs to pass through [the Strait] with the freight persist? And even though we don’t rely on a lot of that oil in Canada, as the WTI Index goes up, that’s going to have impact to the energy we consume,” Lansakara says.

West Texas Intermediate (WTI), often referred to as the WTI Index, is a high-quality, light, sweet crude oil that serves as the primary pricing benchmark for North America, as Investopedia notes. ■

Originally published in *Canadian Underwriter* on April 2, 2026.

Q & A RISK PRO



Candace Heron

Manager, Claims Management

Toronto Hydro

2026 RIMS Volunteer of the Year

How did you get into insurance risk management?

I got into insurance through networking. I was having no luck landing a full-time job after university and it was through a friend of a friend that I met someone that worked in insurance. This person really enjoyed their job and thought I would be a good fit. Shortly after I applied with their reference I was working in insurance.

What is your biggest challenge as a risk professional?

Adapting to the changing landscape of risks is a big challenge. At the micro and macro level there are constantly so many changes, implications and emerging risks. I try to face this challenge by keeping good relationships with others in my organization, asking questions, and by keeping up to date

through webinars, research and real-life examples. What helps me the most at this stage in my career is the networks that I have built. If I do not know about something, there is no doubt that someone I know does.

What is something without which you cannot live?

Goals. I am a competitive person and without setting goals or targets I would not personally get as much satisfaction. Whether it's personally or in the workplace, goals are very important to me.

What is something of which you are proud?

I am proud of starting the Ontario Risk and Insurance Management Society's Rising Risk Professional Network because it has helped bring those newer to insurance into a community that spans across Canada. Starting this network came from an idea and through some agency and

collaborating with the amazing people at ORIMS it came to life. If you have not heard of it, please find us on LinkedIn to join in on free networking and social events.

Who inspires you?

There are several amazing people in the insurance and risk community that inspire me because they have shown me that through insurance and risk you can make lifelong friends, have fun, and truly have a rewarding career. Shoutout to Ann Hildreth, Karin McDonald, Tina Gardiner, Michelle Drew and Valerie Fox.

What is the biggest risk you have taken?

Marrying my husband and having children because you can never really know how your life will change, and you cannot prepare for everything. Being a parent is extremely tough, full of risk management, and as many people would say, the best thing I ever did!

What is the best advice you have ever received?

Get out there and volunteer. By doing so I have gained so much more than I could imagine – friends, mentors, travel experiences, professional development and personal satisfaction. Through my first volunteering experience I was able to get the knowledge and idea to create the Ontario Risk and Insurance Management Society's Rising Risk Professional Network, which shows that volunteering leads to so many unexpected things.

What is your favorite local restaurant?

Harbor 60 Toronto. I only ate there once but it was unforgettable. The food and the atmosphere is special.

What is one fun fact about yourself?

I love soccer. I play co-ed indoor soccer 6-on-6, and its one of my favourite hours of the week. There are tons of us in the insurance and risk industry that play soccer. I have some on my team and run into insurance risk people all the time. ■

RIMS SURVEY REVEALS SURGE IN CANADIAN RISK PROFESSIONAL SALARIES

According to the new *RIMS 2025 Compensation Survey*, risk professionals saw a significant increase in salary from 2023 to 2025, with Canada-based respondents reporting an average 15% rise in base salary.

The bi-annual survey provides detailed compensation analysis of virtually all risk management positions, as well as the impact that education, experience, and other demographic data have on salaries. The report also provides data about risk management reporting structures, team size, benefits and additional cash compensation programs.

Key findings from the *RIMS 2025 Compensation Survey* include:

- The median annual base salary for Canadian risk management professionals in 2025 was \$140,000 compared to \$122,000 in 2023.
- The median annual base salary for Canadian risk professionals who hold the title of chief risk officer/vice president or risk management is \$225,000 (up 15% from 2023).
- Experience and supervisory responsibility tend to correlate positively with salary. For example, Canadian risk professionals with 25 or more years of experience earn \$72,000 more than those with less than five years of experience; and individuals who supervise five or more individuals typically earn \$55,000 more than those who do not supervise others.



- Approximately 40% of North American risk professionals who earned an industry-related designation or certification indicated that they were recognized by their employer—financially or otherwise—for their commitment to professional advancement.

“There are many factors that reaffirm the immense value business leaders place on risk management, but few are more compelling than the salary increases highlighted in this year’s RIMS Compensation Survey,” said RIMS CEO Gary A. LaBranche. “Around the world risk professionals are driving organizational growth and innovation. RIMS is proud to provide this resource for them to sustain that momentum and advance their careers.”

The *RIMS 2025 Compensation Survey* is available to both members and non-members. To obtain a copy, visit www.rims.org/resources/compensation-survey.

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NEXT GEN SPOTLIGHT

Braulio Marroquin Rodriguez

Braulio Marroquin Rodriguez is an undergraduate student at the University of Regina. In December, Braulio will earn a bachelor's degree in business administration, majoring in general studies, with a certificate in economics and a certificate in entrepreneurship. He is a proud member of the Hill Levene Faculty Council, where he makes recommendations on the programs offered by the school, issuance of scholarships and admissions criteria, among other functions. He also competes on his business school's debate team. Mindful of the adage to never allow school to get in the way of his education, Braulio also studies statistical theory in his free time.

Braulio's fascination with risk management began during the pandemic, when he stumbled across an economics history book on a free table (at least he hopes it was).



Previously a humanities major, his aspirations began to shift while reading of the origin and eventual demise of international monetary regimes.

When Nicholas Quigley, chief risk officer of SARC, guest-lectured for his class, Braulio was again completely enamored by the novel topic

Quigley discussed about how a quant manages risk and the value of storytelling in risk-management.

When his business school announced a first-of-its-kind risk management class, Braulio was the first to enroll. Before the first class could end, Braulio was registered as a member of the

Saskatchewan chapter of RIMS and ready to travel to Calgary for his first RIMS conference.

This January, Braulio will deploy what he has learned in feasibility analysis, economics and quantitative risk-management by volunteering as a risk manager for a social enterprise in his city. There, he will work diligently to help the venture stabilize costs, quantify social return on investment (SROI) and maximize SROI for donors. In the fall of 2026, Braulio hopes to continue his journey in academia and risk-management by applying to post-graduate programs coast-to-coast and abroad.

When he isn't immersed in risk management, Braulio is an avid skier who once skied over 140 days in Lake Louise during the 2023/2024 season alone, and believes that a good life requires consistent exposure to fear, failure and hilarity. ■

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**WEDNESDAY,
AUGUST 19**

Get ready for a day of scramble golf, networking and an awards banquet at the **Harbor Golf Club & Resort** in Elbow, Saskatchewan. The **Saskatchewan Risk and Insurance Management Society chapter (SKRIMS)** invites you to join us for a memorable event filled with fun, camaraderie and industry connections. Don't miss this chance to unwind, compete and connect! **Secure your spot today.**

Event Highlights:

- 18-hole scramble golf at a premier course
- Networking with peers and industry professionals
- Awards banquet

Pricing:

- Golf + Banquet: **\$50** (members)/**\$70** (non-members)
- Golf Only: **\$35** (members)/**\$50** (non-members)
- Banquet Only: **\$15** (members)/**\$20** (non-members)



REGISTER BY AUGUST 10TH
Payment due by August 14th

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kdawal@purvesredmond.com.

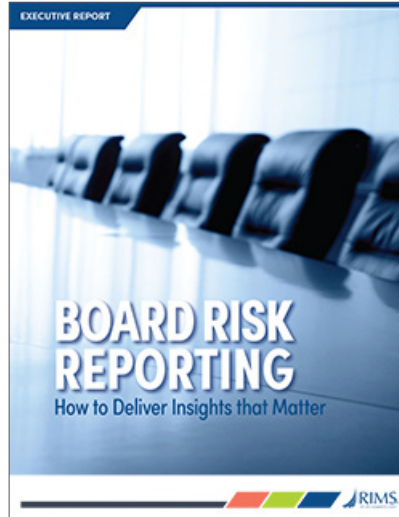
Sponsorship opportunities
are available.

EXPLORING TACTICS FOR REPORTING TO THE BOARD

To effectively support the achievement of strategic and business objectives, boards require a clear understanding of the organization's most significant risks and its overall risk management capabilities, according to a new RIMS Executive Report titled *Board Risk Reporting: How to Deliver Insights That Matter*.

Authored by RIMS Strategic and Enterprise Risk Management Council (SERMC) members Suzanne Christensen, Joe Pugh and Trisha Sqrow, the report provides practical insights and guidance to risk practitioners responsible for reporting to their organization's board of directors or overarching governance committees. To support this endeavor, the report offers strategies to address the following critical questions:

- How do you align risk reporting with the board's role and expectations?



- What steps should be taken to sustain this alignment over time?
- How do you ensure reporting provides the board with the appropriate level of detail to support informed decision-making and fulfill their oversight responsibilities?

“It may take risk practitioners significant time and effort to identify and confirm board-level expectations, establish top-level consensus, and create the alignment needed to support ongoing board reporting and active engagement,” the report notes. “However, this work is critical to the success of board-level reporting,

ongoing engagement with the board, and ultimately, to the success of the organization itself.”

To download the report, visit RIMS Risk Knowledge library at www.RIMS.org/RiskKnowledge. ■

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FROM INSIGHT TO IMPACT

RIMS-CRMP STORIES

Stacie Laurencelle

Insurance Manager, Richardson International
Course Instructor, PACE, University of Winnipeg

With more than 25 years in risk and insurance, including several as a course instructor at PACE, the University of Winnipeg in Manitoba, Canada, Stacie Laurencelle had a unique perspective when earning the RIMS-CRMP in March 2025. She discussed what motivated her to pursue the certification and how the certification domains reflected her daily responsibilities.



What inspired you to pursue the RIMS-CRMP?

Pursuing the RIMS-CRMP was a personal goal I set for myself in 2025. While I am not competitive by nature, I am highly goal-oriented and always looking for the next challenge in both my life and career. The certification was on my aspiration list because I wanted a structured assessment of my theoretical understanding and practical application of risk management principles.

How do the domains of the RIMS-CRMP reflect the regular responsibilities of a risk officer or insurance professional?

The domains feel spot-on with what we do day-to-day. It is like they took the key parts of our job and laid them out in a clear, step-by-step way. You start by figuring out how the organization works, then move into

designing risk strategies, putting those plans into action, and building up risk skills across the team. Finally, it is about using all that information to help make smarter decisions.

The linear flow really mirrors how we approach risk management in real life—you can't jump ahead without understanding what came before. It is a practical roadmap that aligns closely with the real-world responsibilities we juggle every day.

How does your career experience at Richardson and as a course instructor at PACE (and other prior roles) lend to your knowledge base for taking the exam?

My career has given me broad exposure to complex risk environments across both public and private organizations, and across a range of industries—including agricultural

equipment manufacturing, food and beverage, and agriculture and food processing. These diverse experiences have sharpened my ability to analyze organizational models, assess value chain vulnerabilities, and adapt strategies to both emerging risks and long-term stresses. They have also grounded my understanding of risk appetite, tolerance and strategic frameworks like COSO in a variety of operational contexts.

What genuinely surprised me during the process was how the RIMS-CRMP helped me see new ways to apply both the tools available to me and the knowledge I have built over time. The credential helped refine how I communicate risk—particularly when advising on appetite, tolerance and organizational resilience—and strengthened my ability to frame risk in ways that are more actionable and strategically

aligned. I now approach conversations with greater clarity and intention, especially when supporting decision-making at a broader level. ■

Interview by Justin Smulison, RIMS business content manager. To learn more about the RIMS-CRMP certification, visit www.rims.org/certification.

For more with Stacie Laurencelle, watch the inaugural episode of [the RIMScast Canada video](#) podcast series.



CANADA'S TOP FINANCIAL RISKS FOR 2026-2027

According to the Office of the Superintendent of Financial Institution's (OSFI) [Annual Risk Outlook \(ARO\) for 2026-2027](#), the following are the top risks facing the Canadian financial system over the next fiscal year:

1. Real estate secured lending and mortgage risks

Housing market activities remain muted due to ongoing economic pressures that include trade uncertainty, commodity price volatility, employment risks and sluggish consumer confidence. These pressures are contributing to an increase in home listings and declines in sales and prices, with more pronounced weakening observed in major urban centres, specifically Toronto and Vancouver. Borrower financial stress, as indicated by delinquencies, has continued to increase across multiple segments and we expect a higher incidence of residential mortgage loan arrears or defaults over the next two years.

Mortgage renewal risk also concerns OSFI. As of January 2026, 3.1 million, or 52% of total mortgages will be renewing by the end of 2027. Of these renewals, there are 1.3 million, or 22% of total mortgages, that are fixed rate mortgages or variable rate mortgages with fixed payments (VRMFPS) that will be renewing for the first time since they were originated in the low mortgage-rate period of 2021 and 2022. We expect these mortgagors will experience material monthly payment increases. Relative to late 2022, house prices have fallen and interest rates have increased, which has resulted in a modest subset of these borrowers having current loan-to-value ratios and debt service ratios, higher at renewal than at origination. This could impact these borrowers' ability to refinance or leave them unable to manage their higher payments.

Delinquency levels continue to rise across the board, with heightened levels in certain segments, such as the VRMFP product, which we view as having higher-risk attributes, and at smaller lenders focused on business-for-self borrowers, especially in the Toronto and Vancouver markets. VRMFP mortgage flows are also on the rise, and as of December 2025, VRMFP originations and renewals made up 36% of total mortgage flows, fast approaching the high of 41% observed in March 2022.

Given the headwinds driven by broad-based geopolitical tensions, upcoming Canada-United States-Mexico Agreement (CUSMA) negotiations, elevated commodity-price volatility, and corresponding negative

implications for the employment rate, the housing market faces a challenging environment. While this list of risk factors is expected to contribute to higher delinquency rates, we do not expect the level of RESL-related losses to impact capital levels materially at the vast majority of lenders, due to existing allowances and strong earnings.

2. Non-bank financial institution risks

Non-bank financial institutions (NBFI) is a broad category that includes a diverse set of financial entities, which are often interconnected with our regulated banks, insurers and pension plans. Regulators internationally are concerned about the transmission of risk from NBFIs to the broader financial system. Transmission of risk could occur both through direct exposure and indirectly through market shocks caused by NBFI stress.

Hedge funds are a type of NBFI that use significant leverage obtained via repo funding and derivatives to amplify risk and return in their trading strategies. To date, the participation of hedge funds in these strategies has fostered increased sovereign-bond market depth and efficiency. However, if funding costs rise or large and sudden margin calls occur, positions can unwind abruptly, destabilizing the markets in which these strategies are deployed, including sovereign bond markets.

Canadian financial institutions provide leverage to funds and other NBFI firms engaged in leveraged trading strategies. When market stress triggers rapid unwinds, federally regulated institutions could face increased counterparty risk, margin disputes and potential liquidity strains. In extreme cases, this could lead to losses on collateralized positions and force them to tighten credit terms, further amplifying stress across the system.

We are now sharpening our focus on corporate lending activities that we view as key contributors to NBFI-related risk. Private capital firms are a type of NBFI that provide debt and equity to businesses. Federally regulated institutions are active lenders to private capital firms, their portfolio companies and their clients. Canadian institutions' exposures



to private capital firms and their portfolio companies have grown considerably in recent years, representing a material component of the balance sheet. In addition to lending and investing in private capital firms, Canadian institutions are also competing with private capital lenders. Competition with less-regulated firms can lead to riskier lending terms. The opaque nature of this market can mask structural weaknesses, and the highly leveraged nature of these private capital firms can intensify losses in a stress event.

Canadian banks are increasing the use of NBFIs to provide credit protection on their lending portfolios using synthetic risk transfers and other arrangements. During times of economic stress, NBFIs may have reduced capacity to provide credit protection to banks. Reductions in credit protection could reduce banks' ability to lend to core clients, increase credit risk and negatively impact capital levels.

More broadly, federally regulated Canadian institutions' liquidity and capital frameworks rely on the stability and depth of the sovereign bond market. Any material dislocation in the sovereign markets, where NBFIs are increasingly active, could cause spillover—straining funding conditions and reducing liquidity coverage.

3. Funding and liquidity risks

Funding and liquidity remain key areas of focus for us given the ongoing need to be prepared for liquidity stress events. Under severe

stress, liquidity is the most acute driver of failure. Canadian financial institutions experienced a stable funding and liquidity environment over the past year. Wholesale funding markets operated smoothly, and bank funding costs remained low with minimal volatility. Deposit flows from retail customers were stable and consistent.

The broader economic backdrop for system liquidity was not as strong during this same period. Sovereign fiscal pressures, trade tensions, and risk sentiment around the feasibility of debt-funded AI investments by large tech firms triggered episodes of market volatility. Canadian financial institutions, however, continued to effectively fund through these bumpy markets.

The cost and availability of funding for Canadian financial institutions demonstrate their position as a source of stability in a macroeconomic landscape marked by uncertainty. With strong liquidity levels and funding access, institutions are well positioned to be resilient during periods of stress.

Geopolitical pressures and the potential knock-on effects to financial markets continue to pose a threat to liquidity in the year ahead. The dependence of our institutions on foreign currency funding makes them susceptible to shocks in global markets. A shock to the domestic economy could also increase funding costs and reduce access. If institutions face a loss of confidence among market participants and

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CANADA'S TOP FINANCIAL RISKS FOR 2026-2027

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retail depositors, liquidity conditions could deteriorate rapidly.

Maintaining confidence requires strong balance sheet management that is built to thrive in periods of market unrest, such as an appropriate funding strategy with robust downturn readiness features. Over reliance on a specific stream of funding can limit resilience in times of stress. For internationally active institutions, geographic funding considerations are of paramount importance.

4. Other risks

In addition to our top three risks for 2026, we remain vigilant over a longer list of key risks. We continue significant work on wholesale credit risk, AI, cyber and technology, integrity and security, and third-party risk, among others.

Wholesale credit portfolios are showing general resilience with corporate and commercial financial performance remaining strong, however, business sentiment continues to be weak, while the tariff negotiations between Canada and the United States remain unsettled. Commercial real estate remains vulnerable to further downturn, particularly in the high-rise condo construction and development sub-sector.

AI innovation continues to advance rapidly. Financial institutions are adopting sophisticated and complex AI models and systems that can deliver material benefits, efficiencies, and competitiveness when implemented responsibly. At the same time, AI adoption creates more points of vulnerability and amplifies existing risks at institutions.

Malicious cyber activities remain a significant and evolving threat to the financial sector and its critical service partners. Reported incidents demonstrate the growing sophistication of threat actors leveraging advanced and AI-enabled tools which increase both the speed and scale at which cyber threats can materialize. Software vulnerabilities in common and required technology are expected to remain the most persistent and high-impact technology risk.

Concentration and complexity of third-party service providers remain an area of concern for us. Third-party service providers deliver benefits to financial institutions, enabling technological innovation, scalable infrastructure, and cost and operational efficiencies that would be difficult for institutions to achieve on their own. However, third-party service providers introduce vulnerabilities to technology and operating platforms, as well as data security.

Activities such as money laundering, extortion and foreign interference undermine Canada's social, economic and political stability. These activities weaken the integrity and security of financial institutions, erode trust in Canada's financial system, distort market signals, and reduce investor confidence. The institutions that OSFI supervises are among the entities with the highest risk profile in Canada's National Risk Assessment. Our improved capacity to assess integrity and security risks, partnership with FINTRAC, and stock-taking of activities at financial institutions revealed that institutions are improving the mitigation of integrity and security risk. ■

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