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ASSET MANAGEMENT

New OSFI rules make infrastructure debt an essential asset for Canadian insurers

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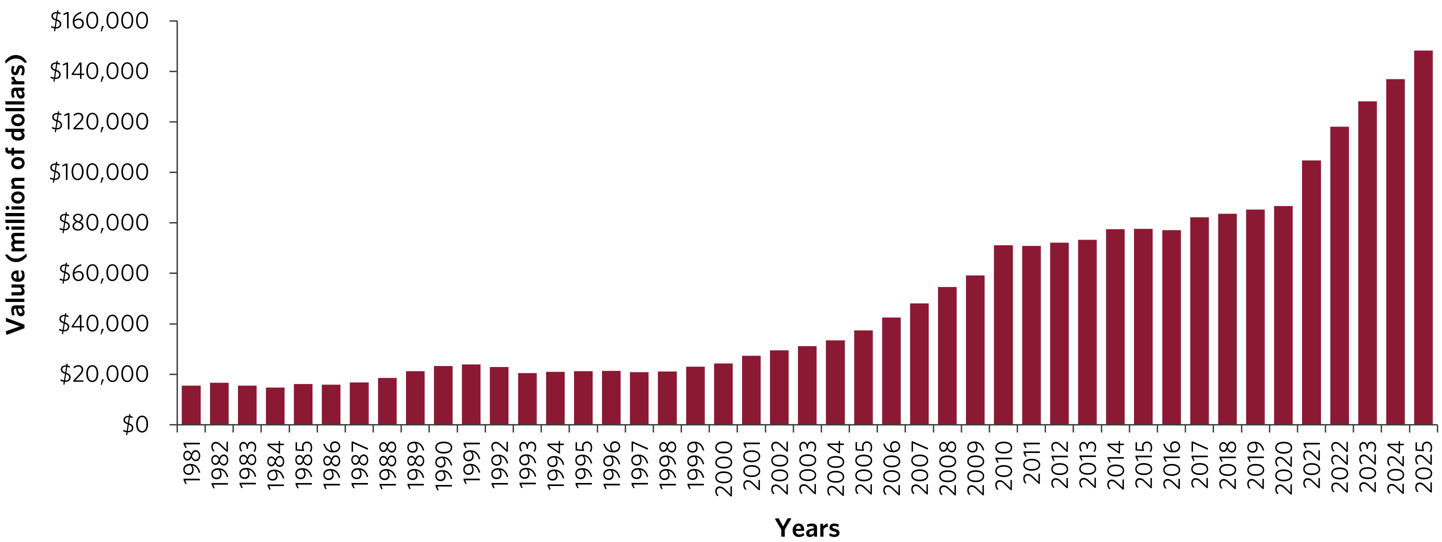
Key takeaways

1. Infrastructure debt has shifted from a niche investment to a core asset class. It offers diversification potential, stable returns and supports critical sectors like clean energy and digital infrastructure.
2. Government policy tailwinds are creating unique, timely opportunities for institutional infrastructure investing. New OSFI rules reduce capital requirements for unrated domestic infrastructure debt held by Canadian insurers, significantly improving capital efficiency and return potential.
3. Insurers are encouraged to review their portfolios and consider expert partners to maximize the advantages of these regulatory changes and ensure strong governance.

Canada is experiencing an infrastructure renaissance. Rapid sector growth has created a surge in demand for capital, providing institutional investors ample opportunities to participate.

Annual infrastructure investment in Canada



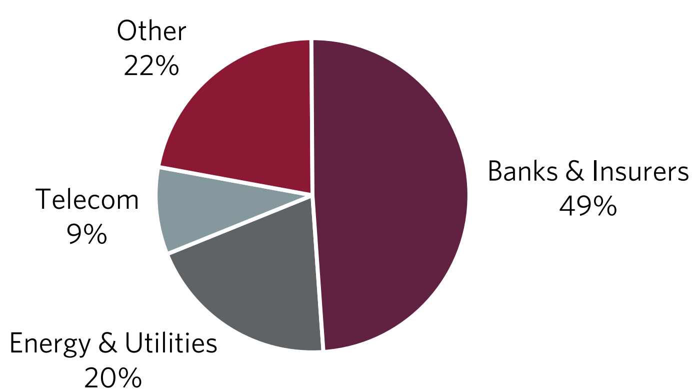
Source: Government of Canada, Infrastructure Statistics Hub, May 2026. Infrastructure debt provides stable returns in the form of debt repayment similar to traditional bonds, with additional security from underlying infrastructure asset's revenue contracts or physical collateral – while infrastructure equity offers ownership in these assets which can carry higher risk but also higher potential for greater returns.

Historically, infrastructure debt was regarded as a niche investment, reserved for specialized lenders and investors willing to navigate its complexities. Today, it has become a central pillar in global capital markets, complementing public debt with its unique characteristics and ability to support critical societal needs.

Infrastructure debt is used to finance essential assets such as energy facilities, transportation networks, and communications infrastructure. Recently, it has evolved to support the global clean energy transition and expansion of digital infrastructure, such as data centres, supporting the rapid growth of artificial intelligence (AI). The asset class has also benefited from maturation of financial markets, improved customization and access, and increased liquidity in secondary markets.

Today, investors benchmarking against Canadian corporate bond indices are concentrated in a relatively small set of names within the financials and energy sectors. Purposely increasing exposure to public and private infrastructure debt expands the opportunity set, providing numerous portfolio benefits.

Approximate share of 1-5 year Canadian corporate bond universe

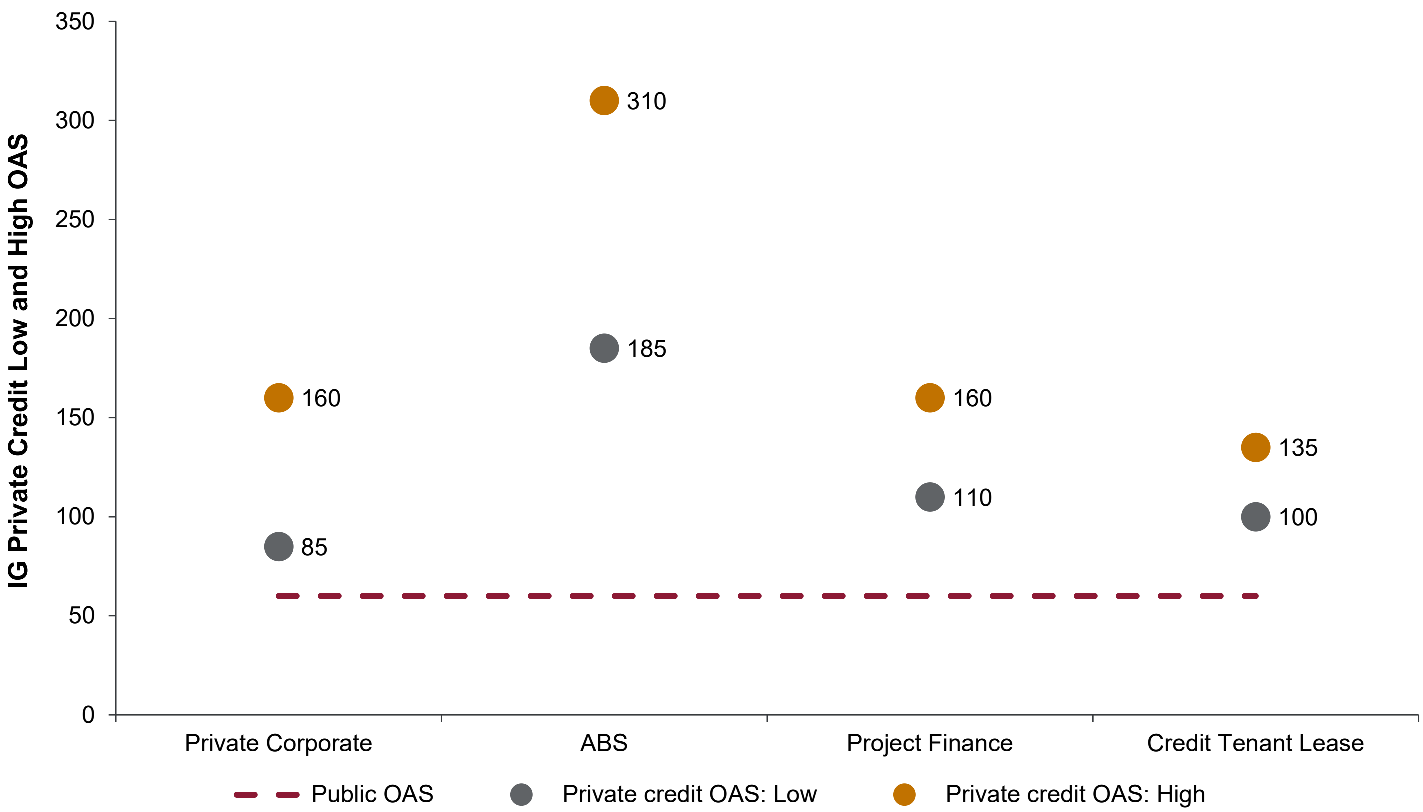


Source: Bloomberg, May 2026.

Infrastructure debt has attracted a wider range of institutional investors, particularly insurance companies, seeking benefits such as:

- Diversification – low correlation to market cycles, limited overlap with public credit, and access to a wider range of counterparties and sectors than traditional fixed income
- Liability hedging – provides predictable income streams across a wide range of durations, and many assets provide inflation linked or floating-rate returns
- Total returns – offers wider spreads due to the illiquidity and complexity premium in private markets
- Flexible structures – floating rates plus the ability to invest in different stages of a project life cycle with different risk return profiles
- Credit protection – low defaults and high recoveries supported by governments or regulated counterparties, strong collateral, and other financial covenants or structural protections
- Sustainable investing objectives – can help meet sustainable investing-related investment targets

A-rated investment grade private credit option adjusted spread pickup (bps)



Source: Investment Grade Private Credit: A Growing Force in Diversified Portfolios, Newberger Berman, April 2026.
Notes: Private corporate includes financials, utilities and REITs. ABS dependent on asset type; wider spreads have been seen in the past.

The Canadian market, in particular, is well-positioned to benefit from these trends; policy tailwinds are creating a pipeline of investable projects. Institutional investors seeking resilient, inflation-linked returns across a wide range of durations, and low correlation to broader markets may benefit from infrastructure debt. Moreover, infrastructure debt supports broader societal goals, such as environmental sustainability and reconciliation with Indigenous communities.

Strategic considerations for Canadian insurers

Insurance companies in Canada have increasingly held infrastructure debt to improve portfolio risk diversification—especially in relation to corporate debt—and match product liability obligations with stable long duration income. In addition, Life Insurance Capital Adequacy Test (LICAT) and Minimum Capital Test (MCT) for property and casualty insurers (P&C) both treat rated domestic infrastructure debt similarly to public corporate fixed income.

Recently OSFI expanded this benefit, announcing reductions in capital requirements for unrated domestic infrastructure debt held by life and P&C insurance companies. These changes are in effect as of July 2025 and February 2026 life and P&C insurers, respectively.

P&C insurers: Capital requirement for unrated domestic infrastructure debt

Previous credit risk factor	New credit risk factor	Term to maturity
6%	3%	1 year or less
8%	4%	>1 year up to 5 years
10%	5%	Greater than 5 years

Source: OSFI, February 24, 2026.

Life insurers: Capital requirement for unrated domestic infrastructure debt and equity

Previous credit risk factor	New credit risk factor
6%	3%

Source: OSFI, July 3, 2025.

To qualify for the reduced capital or market risk charges, the infrastructure investment must meet strict criteria, including public body involvement, ownership structure and asset type.

- Public body involvement: This includes various levels of Canadian and Indigenous Government, an agency or corporation representing them or a regulatory body. Public body involvement is defined as 10% ownership, guarantor of operating revenue, beneficiary of the infrastructure service, or involvement in setting the price of the infrastructure service.
- Entity activities: Include operating an infrastructure asset, ownership interests in an infrastructure entity, or involvement in construction or maintenance of infrastructure assets.
- Asset types: Include physical, financial or entity interests directly or indirectly used for infrastructure.
- Investment structure: Includes direct or co-investment, and, with appropriate look-through, pooled funds, trusts or special purpose vehicles.
- Limit: Insurers cannot hold more than 20% of regulatory capital in infrastructure assets.

These changes improve the capital efficiency of infrastructure debt for Canadian insurers and incentivize them to maintain or increase allocations to domestic infrastructure, provided the investment aligns with the eligibility criteria.

The reduction in capital requirements offers both P&C and life insurers an opportunity to optimize capital usage and potentially enhance returns. Insurers should review their portfolios against the new requirements to maximize asset risk-return efficiency, while continuing to monitor for further regulatory developments. Given the complexities within the asset class, insurers should consider partners which lead with rigorous due diligence, support reporting requirements and provide strong ongoing governance over the investments.

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Contact us anytime

To learn more about how infrastructure debt can support the strategic priorities of your institution, please reach out to your CIBC Global Asset Management representative.

[1] CIBC Global Asset Management (previously known as TAL Global Asset Management Inc.) was founded in 1972 as a privately-owned investment manager. CIBC took an ownership stake in 1994, eventually assuming 100% in 2001.

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