PACICC

Property and Casualty Insurance Compensation Corporation

Insolvency protection for home, car and business insurance customers






ANNUAL REPORT 2006

PACICC fast facts for 2006

Insurance company liquidations supported by the Property and Casualty Insurance Compensation Corporation (PACICC) at year-end 2006 were mostly at a mature stage. Only 314 known claims remain to be settled. During 2006, payments totaling $6,852,973 were made to or on behalf of 84 policyholders. Since its establishment in 1989, PACICC has paid out close to $100 million to or on behalf of approximately 10,000 policyholders.

PACICC covers most claims under most policies issued by property and casualty (P&C) insurance companies. Policies not covered are of a specialist nature, such as marine, aviation and fidelity. PACICC limits payments for indemnity claims to a maximum of $250,000 for each covered occurrence and to $700 (70 percent of $1,000) for the refund of unearned premiums.

Mission Statement

The mission of the Property and Casualty Insurance Compensation Corporation is to protect eligible policyholders from undue financial loss in the event that a member insurer becomes insolvent.

We work to minimize the costs of insurer insolvencies and seek to maintain a high level of consumer and business confidence in Canada's property and casualty insurance industry through the financial protection we provide to policyholders.

Principles

- In the unlikely event that an insurance company becomes insolvent, policyholders should be protected from undue financial loss through prompt payment of covered claims.
- Financial preparedness is fundamental to PACICC's successful management support of insurance company liquidations, requiring both adequate financial capacity and prudently managed compensation funds.
- Good corporate governance, well-informed stakeholders and cost-effective delivery of member services are foundations for success.
- Frequent and open consultations with members, regulators, liquidators and other stakeholders will strengthen PACICC's performance.
- In-depth P&C insurance industry knowledge – based on applied research and analysis – is essential for effective monitoring of insolvency risk.

Key accomplishments in 2006

- Completed comprehensive research reviewing PACICC's coverage and benefits, coupled with a member consultation survey
- Completed a major research study on why insurers fail, in co-operation with OSFI and FSCO
- Developed a new three-year strategic plan for the period 2007-09 focusing on enterprise risk management, improving insurance company liquidation practices, and strengthening incentives for insurer financial health as PACICC's Board-approved priority issues
- Organized a series of Board education seminars on insolvency-related topics that will continue on a regular basis

Contents

Message from the Chair 2

Message from the President 5

The business environment 8

Statement of operations and changes in fund balances and financial position 14

PACICC member companies 20

PACICC board of directors 23

PACICC staff and contact information 24

Canada's insurance regulators 25

Message from Kevin McNeil, *Board Chair*

DURING 2006, Canada's P&C insurance industry experienced continuing financial health, allowing many insurers to build further capital through earnings. This was a favourable operating environment for PACICC, and partly as a result, no insolvencies occurred among our more than 210 member companies. Moreover, most indicators point to a continued positive industry outlook for 2007. Nonetheless, we remain mindful that improving industry trends are not always reflected in the financial health of individual insurers.

For PACICC, the past year was a time of transition, as the Corporation largely completed work on the new strategic direction approved by your Board of Directors three years earlier. In particular, I would like to highlight three areas where PACICC made significant advances during 2006:

- conducting a comprehensive review of the coverage and benefits we provide to policyholders should a member insurance company become insolvent
- completing the first in what will become a series of research papers focusing on "why insurers fail"
- completing and distributing, to all superintendents and ministers responsible for insurance in Canada, a position paper advocating better and more timely disclosure of insurance company financial information.

Coverage and benefits review

It is important for any guarantee fund to review its compensation system from time to time, to ensure that the financial protection provided to consumers remains adequate. Since it had been nearly a decade since PACICC's last such review, the Corporation undertook to do so in 2006. Our research findings in this area were distributed to all PACICC member companies and to all insurance superintendents in Canada. PACICC's research included a thorough examination of the coverage and benefits in place for P&C insurance guarantee funds in other OECD countries. And we followed our usual practice of surveying PACICC member companies to seek their views on possible changes and adjustments to our current system.

> **The review demonstrated that PACICC's current system of coverage and benefits is functioning well.**

With the review now largely completed, we can report positive results on several fronts. First and foremost, the review demonstrated that PACICC's current system of coverage and benefits is functioning well: we found no major gaps in policyholder protection, both in terms of the lines of business we cover and the current indemnity claim limit of $250,000. There was a case to be made for a modest increase in the limit for personal property insurance claims, but otherwise the current levels of protection were found to be adequate. PACICC's review also identified that most P&C insurance guarantee funds exclude large commercial entities from protection. The rationale is that larger corporations are typically more sophisticated as purchasers of insurance and managers of risk and do not need the same protection as less sophisticated policyholders – primarily individuals and small business owners. While PACICC found a strong consensus among its members for the coverage changes described, we are working to ensure that the method of differentiating between small and larger commercial businesses will be clear and easy to apply in practice. PACICC's goal is to complete work on a full package of proposed coverage and benefit changes during the second quarter of 2007, and to seek member and regulatory approval soon thereafter.

PACICC's research reveals that nearly two-thirds of all P&C insurance company failures occurring in Canada over the past 45 years were attributable to one, or a combination, of three key causes: inadequate pricing, deficient loss reserves, and rapid growth in premiums.

Why insurers fail

PACICC also completed a major research study in 2006 looking in detail at the causes of the 35 P&C insurance company failures in Canada that occurred between 1960 and 2005. This type of research had been conducted in the United States, but not previously in Canada. PACICC was pleased to have the cooperation of both the Office of the Superintendent of Financial Institutions (OSFI) and the Financial Services Commission of Ontario (FSCO) for the analysis. The results of this particular study will be made public during the second quarter of 2007.

PACICC's research reveals that nearly two-thirds of all P&C insurance company failures occurring in Canada over the past 45 years were attributable to one, or a combination, of three key causes: inadequate pricing, deficient loss reserves, and rapid growth in premiums. If the goal is to reduce the incidence of insurer failures in Canada, it is important that insurance supervisors – working with boards of directors and senior managers of insurance companies – are adept at developing early warning signs of insurer vulnerability with respect to pricing, loss reserves and rapid growth. By doing so, potential problems could be mitigated in some cases before it becomes too late to prevent a company from failing.

An important objective for PACICC is to build a strong body of research on the causes of insurer insolvency, so that lessons can be learned and applied to mitigate the risk of failure. In fact, "why insurers fail" will become a regular, periodic theme linking future PACICC research. We will continue to make our research findings readily available to members, insurance supervisors and other stakeholders.

Availability of insurance information

During 2006, PACICC also adopted a formal position with respect to public availability of insurance company financial information in Canada. Depending on whether a P&C insurance company is supervised federally or provincially for solvency purposes in Canada, the practices for public disclosure of basic financial data vary considerably. PACICC's Board of Directors has formally endorsed the position that all supervisory jurisdictions should meet the standard of the International Association of Insurance Supervisors (IAIS) for public disclosure of insurance company financial information. The standard addresses the extent and type, as well as the timeliness of data disclosed. Currently, OSFI meets the IAIS standard in Canada, but not all of the provinces do. PACICC believes that they should do so, and has taken steps to communicate its position on this issue to all superintendents and ministers responsible for insurance in Canada.

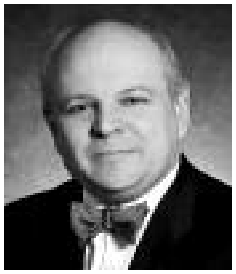
Research has shown that public disclosure and transparency of financial data can reduce the risk of insolvency and the likelihood that problems requiring supervisory intervention will emerge.

The rationale for PACICC's position is twofold. First, research has shown that public disclosure and transparency of financial data can reduce the risk of insolvency and the likelihood that problems requiring supervisory intervention will emerge. Second, we believe that the guarantee of insolvency protection offered by PACICC creates an obligation for *all* of its member companies to disclose basic data available on their financial health. PACICC's Board and management are optimistic that several of Canada's provinces will agree to meet the IAIS standard for public disclosure of financial data for the insurance companies they supervise. We will continue to advocate improvements in this area, both as a low-cost risk mitigation measure and as good public policy.

Your Board of Directors

While the composition of PACICC's Board of Directors is not expected to change in 2007, I will have completed two years as Board Chair, and Diane Brickner of Peace Hills Insurance Company will assume the Chair. I know that Diane will be an excellent Board Chair and she can be assured of strong support from all PACICC Directors.

It has been gratifying for me to help lead PACICC through an important period of strategic change over the past two years. Much has been achieved to strengthen the Corporation's preparedness to fulfill its essential policyholder protection mandate on behalf of member insurance companies. Let me take this opportunity to thank my colleagues on the Board, as well as PACICC's management, for their valuable contributions to the work of the Corporation.



AS CANADA'S P&C insurance guarantee fund, PACICC remains aggressive in its efforts to ensure that the Corporation is well prepared to protect eligible policyholders from undue financial loss if and when a member insurer becomes insolvent. PACICC's preparedness rests upon effective planning and actions. A clear focus on priority industry issues, and taking appropriate actions to address them, has been fundamental to PACICC's success.

For the period 2007 to 2009, PACICC will focus on three priorities. In 2007, we will seek to mitigate risks confronting PACICC by developing and implementing a comprehensive enterprise risk management (ERM) strategy for the Corporation. We will also implement results from last year's coverage review. Our main focus in 2008 will be on improving insurance company liquidation practices, with an emphasis on identifying and advocating changes in *Canada's Winding-Up and Restructuring Act (WURA)* that would benefit both member insurers and their policyholders. In 2009, we will seek to strengthen the incentives for insurer financial health, focusing on risk-based assessments and premium tax offsets for insolvency-related assessments.

We recognize the value of establishing a comprehensive ERM framework to ensure that the Corporation remains well-prepared, operationally and financially, to respond to any insurer insolvency that might reasonably occur.

Mitigating risks confronting PACICC

In 2007, PACICC seeks to build on its demonstrated strength in strategic planning by launching a formal enterprise risk management program. We are working to identify, map and develop risk mitigation strategies focused on areas of revealed threat. This initiative will become central to PACICC's preparedness efforts for the next insolvency.

P&C policyholder confidence is based on the fundamental belief that insurance contracts will be fulfilled and eligible claims paid. Financial soundness is the core foundation of consumer confidence in the P&C insurance industry. Few things can shake consumer confidence like the insolvency of a financial institution. The important role that PACICC plays is to mitigate reputation risk and maintain public confidence. PACICC is the final safety net for consumers in the event that a P&C insurer fails. The Corporation is committed to maintaining a high level of consumer and business confidence in Canada's P&C insurance industry through the financial protection we provide to policyholders.

Pronounced media coverage of events can negatively influence public confidence. The volume of media coverage of industry insolvencies can be critical to the development of public opinion. PACICC has had a noticeable and calming influence on media coverage of insolvencies since its establishment in 1989. An analysis of media coverage dating back to 1980 shows that the volume of media stories per insolvency of any given size of insurer fell by 84 percent after PACICC was established. This is particularly striking, given an increase in P&C failures from 10 insolvencies between 1980 and 1989 to 13 since 1989; nevertheless, media coverage decreased significantly.

While PACICC is better prepared than ever before to protect eligible policyholders in the event that a member insurer becomes insolvent, the potential remains for disaster losses and financial shocks. We recognize the value of establishing a comprehensive ERM framework to ensure that the Corporation remains well-prepared, operationally and financially, to respond to any insurer insolvency that might reasonably occur. Sources of risk in the industry are many and include: finances, operations, legal and regulatory, governance and reputation.

Issues to be considered may include reforms that could be made to WURA that would help shorten the time period required to fully wind-up an insolvent insurance company (more than 15 years in some cases).

Members will be surveyed regarding risk management priorities for PACICC. Feedback here will help to refine the Corporation's ERM plan. Key elements of PACICC's risk management planning will be communicated to members and other industry stakeholders through the 2007 Annual Report. This risk management strategy will then be integrated into PACICC's regular annual planning efforts in future years. Research and analysis will also be conducted on actions that PACICC could take to mitigate the future impact of member insurance company failures, drawing in part on the findings of the *Why insurers fail* study.

Research has been completed in co-operation with OSFI and certain provincial insurance regulators on why insurers fail. Aspects of this research include: the effects of rate regulation on insurer insolvency; how supervisory practices in Canada compare to international best practices; determinants of insurer capital strength; and an analysis of capital deterioration in insolvent companies. PACICC will seek to apply lessons learned from this work to help mitigate future risks to the organization.

We will also apply PACICC's *Financial Impact and Risk Evaluation (FIRE)* model more rigorously as a risk mitigation tool, analyzing a range of selected external shocks that the Corporation could reasonably face. Key stress testing results will be presented to the Board in the context of preparedness planning.

Improving insurance company liquidation practices

PACICC's focus in 2008 will be to advocate reforms to improve liquidation practices. We have initiated research to assess Canada's *Winding-Up and Restructuring Act (WURA)*. Our goal is to identify opportunities for harmonizing provincial and federal legislation. We will form a position on the merits of retaining WURA as independent legislation from the Bankruptcy and Insolvency Act.

Issues to be considered may include:

- should the legislation provide greater scope for restructuring or rehabilitating an insolvent P&C insurance company?
- how can the inspector's role be clarified in the winding-up of insurance companies to help ensure PACICC's involvement in key decisions?
- should WURA be modified to deal more effectively with the liquidation of a financial conglomerate?
- what reforms could be made to WURA that would help shorten the time period required to fully wind-up an insolvent insurance company (more than 15 years in some cases)? The focus would be on reforms that could reduce aggregate liquidation costs and bring greater financial certainty to claimants and creditors.
- how would PACICC's operating rules and processes need to change in response to possible WURA reforms?

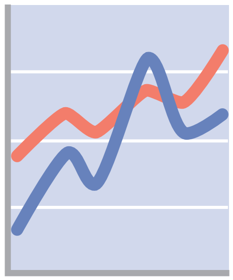
Strengthening incentives for insurer financial health

In 2009, our focus will be on measures to promote insurer financial health and to mitigate moral hazard. Research has begun on:

- possible premium tax offsets for insurers called upon to pay assessments toward the cost of winding-up a failed insurance company
- application of PACICC's system of assessments to incorporate a measure of risk based on the financial health and solvency strength of member companies, and the
- reduction of solvency risk facing newly licensed insurance companies.

Research has begun on possible premium tax offsets for insurers called upon to pay assessments toward the cost of winding-up a failed insurance company.

In closing, I extend my thanks and appreciation to members of PACICC's Board of Directors for their guidance during the past year, and to our professional staff for their continuing high-quality work. Most important, I thank the members of PACICC for their active support. We are focused on the issues that matter most to consumers and members alike and are well-positioned for continuing success in the years ahead.



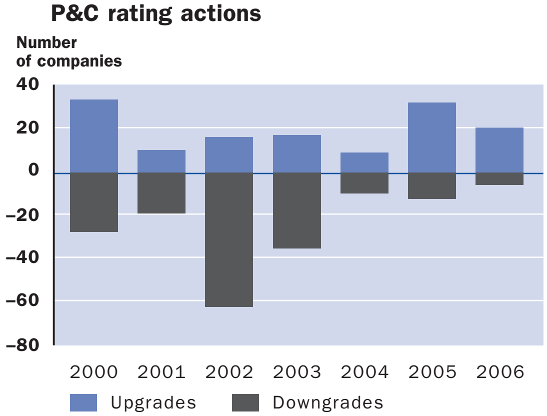
THE FOCUS ON UNDERWRITING continued through 2006, providing the industry with a third consecutive year of underwriting profit. After the record catastrophe losses a year earlier, a respite from severe weather allowed the industry to remain financially healthy. This stability facilitates a smoother introduction of significant changes in the coming year to the P&C insurance industry's accounting and regulatory environment.

Industry results largely reflected the strong performance of the non-automobile insurance lines of business. While underwriting remained strong overall through 2006, there were indications that loss ratios in the key automobile insurance line of business were deteriorating. No P&C insurance companies were wound up in 2006.

Building a strong foundation

Consumer confidence is highly and inversely correlated with insolvency (a correlation coefficient of -80%). When companies fail, consumers lose confidence. Data on business insolvency from Industry Canada's Office of Bankruptcy, and consumer confidence measures from Statistics Canada, confirm this relationship. While these data are for insolvency and public confidence across all business sectors, PACICC would expect results to be even stronger among financial institutions, such as P&C insurers.

P&C rating actions



Source : PACICC, with data from rating agencies

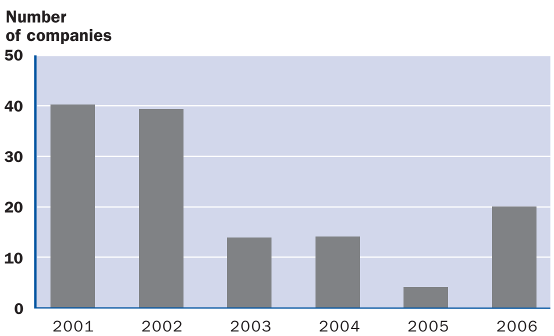
P&C insurance is a contingent contract – where the policyholder pays up front for a promise to pay on the occurrence of some future unexpected event. The demand for insurance from a particular insurance company is therefore sensitive to that institution's solvency risk. Few things are more certain to shake consumer confidence than the insolvency of their financial institution.

Healthy returns and the stabilization of claims costs since 2003 have allowed the P&C industry to begin rebuilding its capital base, reducing the likelihood that an insurance company will become insolvent. Accordingly, financial strength ratings of P&C insurance companies continued to improve in 2006 for the second straight year. Despite the improvement, both ratings and capital levels remain below levels experienced prior to the last downturn in the underwriting cycle.

Auto insurance represents nearly half of the premiums written in Canada. Reforms enacted earlier by various provinces, such as caps and deductibles on minor injury claims, appear to have been effective at stabilising claims costs. However, several trends suggest risks on the horizon. In 2006, automobile insurance claims costs began to increase while premiums fell. The reforms are also being challenged in the courts, adding uncertainty about the sustainability of the current underwriting environment.

Despite its generally healthy position, the P&C insurance industry is diverse, and the risks faced by firms vary depending on the lines of business they write, the type of clients, and the jurisdiction from which their business originates. As would be expected from this, there was a diversity of financial results among insurance companies, with six percent of insurers earning more than half of the industry's net income for 2006. Despite a strong year for the industry as a whole, more than a dozen member companies reported net losses. The overall trend in industry profitability, while still healthy, is downward.

Insurers reporting net losses



Source: PACICC, with data from MSA and OSFI

In the industry's risk environment, core inflation remains above the Bank of Canada's 2% target, driven largely by the strong housing market and economies in Western Canada. Nevertheless, core inflation is expected to continue to ease in the first half of 2007, mitigating the likelihood of interest rate volatility. Financial market conditions remained positive in 2006 as the TSX continued to strengthen over the course of the year.

Regulatory and accounting changes

The industry faces a number of implementation issues arising from changes in international accounting standards that are being adopted in Canada – and the subsequent harmonization of regulatory financial reporting requirements.

Among the regulatory changes being brought forward are amendments to insurer capital requirements. In 2006, the Canadian regulatory authorities completed their review of the Minimum Capital Test and Branch Adequacy of Assets Test (MCT/BAAT) – three years after their introduction as the industry's risk-based capital standards – for Canadian and branch companies respectively. The review largely concluded that the tests were functioning as intended, but that there should be some fine tuning adjustments on the treatment of amounts due from unregistered reinsurers and investments in regulated financial institution subsidiaries. In addition, some substantive financial reporting amendments reflecting the new accounting standards were introduced for implementation in 2007.

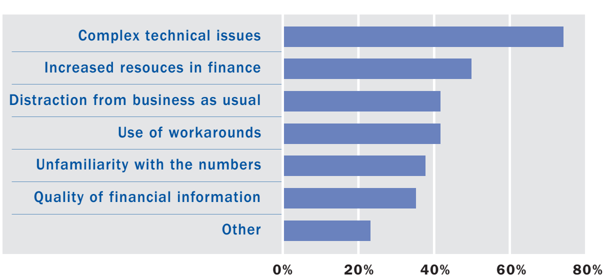
The Canadian Accounting Standards Board (AcSB), incorporated into the CICA Handbook section 3855 (Financial Instruments: Recognition and Measurement) which introduces new accounting standards for financial instruments and a new financial statement for Comprehensive Income. The changes will require insurers to designate their financial assets as either *Held to Maturity* (book value), *Available for Sale* (assets valued on a fair value basis with unrealized gains/losses flowing directly to equity in the form of other comprehensive income) or *Held for Trading* (changes in book value flow through the income statement).

These new accounting standards are expected to generate four challenges for the industry:

- mismatch between assets and liabilities, particularly where assets are held as available for sale and changes in unrealized gains/losses flow directly into the balance sheet, generating the potential for an accounting mismatch in the income statement
- to the extent that invested assets are stated at fair value, there may be increased volatility
- increased volatility in unpaid claim liabilities
- increased financial reporting risk.

While the accounting changes do not affect the underlying economic reality of an institution, they are expected to generate financial statements that better reflect a firm's changing economic conditions. Therefore, interest rate shifts or changes in equity valuations will cause immediate valuation changes for many financial asset components. This is in addition to any changes that may occur for the valuation of the claims liabilities. To the extent that reported asset and liability valuation changes do not fully offset each other, volatility will result. As the MCT/BAAT results rely on the underlying asset and liability valuations, increased volatility can be expected in insurer risk-based capital ratios.

Sources of increased financial reporting risk



Source: KPMG, Implementing IFRS in the insurance industry, Observations and lessons for the Future, November 2006

Overall, the increased use of fair values under *Available for Sale and Held for Trading* may generate additional income statement and balance sheet volatility for P&C companies. To the extent that P&C insurance companies utilize the fair value option available under the new accounting standards, the federal Office of the Superintendent of Financial Institutions (OSFI) has introduced a supervisory guideline to address issues of reliability. Insurance companies using the fair value option will be required to use reliable measures and have robust risk management policies in place.

In the near term, use of the new accounting standards is expected to generate increased financial reporting risk, particularly for smaller insurance companies. In a survey of insurance companies in the United Kingdom during 2006, KPMG found that two-thirds of insurers reported an increase in financial reporting risk, largely as a result of the associated complexity with applying *IAS 39: Financial Instruments, Recognition and Measurement* in preparing financial statements.

The International Financial Reporting Standards (IFRS) has introduced substantive new disclosure requirements that will intensify the spotlight on the quality of underwriting, earnings and risk management within the P&C insurance industry. IFRS is still being developed but the final version will likely differ from current Canadian accounting and actuarial practices for P&C insurance liabilities. To the extent that the discounting of insurance liabilities is part of the standard, the Canadian industry will be well positioned, having recently adopted this significant change.

Other international standard setting developments are expected to have an impact on the Canadian P&C industry. For example, the International Association of Insurance Supervisors (IAIS) adopted the Standard on Asset Liability Management and issued a draft Common Structure for the Assessment of Insurer Solvency. Related to the disclosure theme, the Common Structure paper states that risk-sensitive financial requirements can only be effective if an insurer meets sound governance, market conduct and public disclosure requirements.

In addition, the Accounting Standards Board has issued an Exposure Draft proposing to adopt the going concern paragraphs from IFRS IAS 1, Financial Statement Presentation, to assist the Auditing and Assurance Standards Board's (AASB) Going Concern Project. The objective of this project is to provide guidance for auditors when considering events and conditions that may cast substantial doubt on an entity's ability to continue as a going concern.

Benefits of better disclosure

Many of the regulatory and accounting changes brought forward in 2006 were based on the widely held view that improved financial disclosure and higher quality financial reporting benefits consumers and insurers. Research has found that public disclosure and transparency of financial data can reduce the risk of insolvency and the probability of financial challenges. Disclosure of financial data permits earlier recognition by management and supervisors when problems arise. It also places market pressure on financial institutions to address problems earlier. Experience internationally and in Canada has demonstrated that weak public disclosure promotes delayed response, and ultimately greater costs to consumers in the liquidation process. From the perspective of a guarantee fund, PACICC's experience has shown that liquidation costs are greater, sometimes more than double, for insolvent companies for which there was little or no disclosure of financial information.

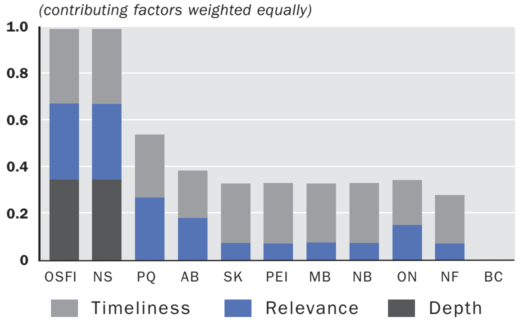
Most research identifies the link between transparency and accountability, and from accountability to a number of beneficial outcomes – including good governance, increased effectiveness of markets and reduced insolvency risk. All of these factors help support confidence in the P&C insurance industry. In addition, higher-quality information has been associated with greater investor and analyst interest, greater stock market liquidity and importantly – for a capital-intensive industry such as insurance – a lower cost of capital.

Consistent with these principles, OSFI provides high-level financial data on its website. In 2006, OSFI improved public access to a more comprehensive set of insurer financial data, beyond what was previously available, free-of-charge. By comparison, most provinces fall short of the public disclosure standard demonstrated by OSFI and recommended by the International Association of Insurance Supervisors (insurance core principle 26).

The shortfall of information-disclosure at the provincial level currently involves approximately 60 P&C insurance companies. While this figure represents about one-third of the active companies in the Canadian market, it is less than one-third measured by total premiums. PACICC has constructed an "index of data availability" that assigns equal weights to each of three elements: the timeliness, relevance and depth of insurance company financial data disclosed by superintendents. The index illustrates the sizable federal-provincial differences in insurer data disclosure practices.

Index of disclosure and transparency

(contributing factors weighted equally)



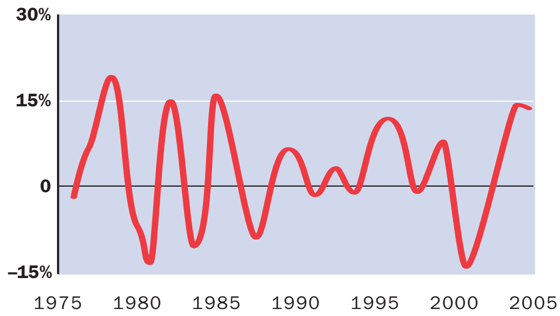
Source: PACICC

In most cases, the problem is that the insurance legislation does not explicitly recognize information disclosure and transparency as a sound practice to promote healthy insurance markets. Moreover, insurance supervisors may not have the mandate and resources evident in OSFI's actions. It is encouraging that several provincially-supervised insurance companies do seek to release information about their operations voluntarily by participating in various insurance statistical reports.

Looking ahead

The P&C industry outlook for 2007 is generally positive. However, there are risks on the horizon. Fewer companies are recording an underwriting profit. Uncertainties continue in the auto insurance market segment and natural disasters represent the most immediate risks to insurer solvency in 2007. Economic and financial market risks, particularly in a new fair value environment, also present potential challenges if the threat of a slowdown in the U.S. and Canadian markets materializes.

Growth in capital in excess of growth in claims



Source: PACICC, with data from IBC

Nonetheless, industry capitalization is expected to strengthen further in 2007, continuing to recover toward the levels observed before the last industry downturn. While the number of companies reporting losses increased modestly, most insurers are still reporting healthy underwriting and investment income, so retained earnings will continue to fuel capital growth.

KPMG LLP
Chartered Accountants
Suite 3300 Commerce Court West
PO Box 31 Stn Commerce Court
Toronto ON M5L 1B2

Telephone (416) 777-8500
Fax (416) 777-8818
Internet www.kpmg.ca

AUDITORS' REPORT

To the Members of the Property and Casualty Insurance Compensation Corporation

We have audited the statement of operations and changes in fund balances and financial position of the Property and Casualty Insurance Compensation Corporation as at December 31, 2006 and for the year then ended. This financial statement is the responsibility of the Corporation's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, this financial statement presents fairly, in all material respects, the financial position of the Corporation as at December 31, 2006 and the results of its operations and changes in fund balances for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Toronto, Canada
February 14, 2007

For the year ended and as at December 31, 2006, with comparative figures for 2005
(In thousands of dollars)

	2006				2005			
	Operating Fund	Compensation Fund	Liquidation Funds	Total	Operating Fund	Compensation Fund	Liquidation Funds	Total
Fund balances, beginning of year	$1,669	$37,091	$6,428	$45,188	$1,549	$35,913	$24,569	$62,031
Member assessments	1,039	–	–	1,039	987	–	–	987
Investment income	61	1,519	486	2,066	40	1,180	665	1,885
Funding from liquidations and other	223	–	–	223	317	–	–	317
Liquidation dividends	–	–	4,425	4,425	–	–	1,803	1,803
	2,992	38,610	11,339	52,941	2,893	37,093	27,037	67,023
Claims and expenses	–	–	1,929	1,929	–	–	727	727
UPR reimbursements	–	–	–	–	–	–	1	1
Administrative expenses	1,294	2	–	1,296	1,224	2	–	1,226
Refund to members (note 5)	–	–	–	–	–	–	19,881	19,881
Fund balances, end of year	**$1,698**	**$38,608**	**$9,410**	**$49,716**	$1,669	$37,091	$6,428	$45,188
Fund balances represented by:								
Cash and term deposits (note 6)	$73	$14,568	$10,822	$25,463	$392	$12,268	$17,063	$29,723
Bonds (note 6)	–	23,454	–	23,454	–	23,433	–	23,433
Accrued interest	1	586	37	624	12	273	27	312
Interfund receivable (payable)	1,613	–	(1,613)	–	1,332	1,117	(2,449)	–
Member assessment billed and receivable	2	–	–	2	–	–	–	–
Dividends receivable	–	–	1,461	1,461	–	–	429	429
Other receivables	95	–	–	95	53	–	–	53
	1,784	38,608	10,707	51,099	1,789	37,091	15,070	53,950
Accounts payable	86	–	569	655	120	–	1,851	1,971
Refund payable to members (note 5)	–	–	728	728	–	–	6,791	6,791
Fund balances, end of year	**$1,698**	**$38,608**	**$9,410**	**$49,716**	$1,669	$37,091	$6,428	$45,188

See accompaning notes to statement of operations and changes in fund balances and financial position.

On behalf of the Board:

Kevin McNeil, *Director*

Earl McGill, *Director*

For the year ended and as at December 31, 2006

The Property and Casualty Insurance Compensation Corporation ("PACICC" or the "Corporation") was incorporated under the provisions of the *Canada Corporations Act* on February 17, 1988 and operates as a non-profit organization. The objective of PACICC is to be available to make payments to insured policyholders in the event that a property and casualty insurer that is a member becomes insolvent. The Corporation's members include all licensed property and casualty insurers (other than farm mutuals) and all government-owned property and casualty insurers (other than those writing automobile insurance only) carrying on business in a participating jurisdiction. For a full description of the protection provided, reference should be made to PACICC's By-Laws and Memorandum of Operation. The Corporation is funded by assessments levied on its members.

1. Basis of presentation

This financial statement is prepared on a restricted fund accounting basis, whereby the activities of the Operating Fund, the Compensation Fund and Liquidation Funds relating to the following insurance companies in liquidation are separately disclosed:

Advocate General Insurance Company ("Advocate")
Ontario General Insurance Company ("Ontario General")
Canadian Universal Insurance Company ("Canadian Universal")
Beothic General Insurance Company ("Beothic")
Hiland Insurance Company ("Hiland")
Maplex Insurance Company ("Maplex")
GISCO, La Compagnie d'Assurances ("GISCO")
Reliance Insurance Company ("Reliance")
Canadian Millers' Mutual Insurance Company ("Canadian Millers")
Markham General Insurance Company ("Markham General")

A statement of cash flows has not been presented as it is not considered to provide any additional meaningful information.

This financial statement does not reflect the assets, liabilities or operations of member companies in liquidation.

2. Significant accounting policies

This financial statement is prepared in accordance with Canadian generally accepted accounting principles. The preparation of this financial statement requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities as at the date of the financial statement. Actual results could differ from those estimates. The significant accounting policies are as follows:

(a) Assessments for members in liquidation are based on management's best estimate of the ultimate cost of the liquidation and are recorded in full in the year approved by the Board of Directors. The estimated ultimate cost of each liquidation is based upon projected future cash flows from its assets, settlement of its claims and the estimated liquidation expenses. While these estimates are updated as the liquidation progresses, it is possible that changes in future conditions surrounding the estimate assumptions could require a material change in the recognized amount. The liquidation assessment amount that is billed to member companies is the lesser of the assessment limit as set out in the By-Laws of the Corporation and management's estimate of the funding requirements of liquidation.

(b) Accounts payable includes estimates made by management with respect to claims expected to be paid by the Corporation in relation to the liquidation. These estimates are recognized by management upon analysis of liquidators' estimates. Other amounts in payables include routine administrative expenses, which are recognized on an accrual basis.

(c) Short-term notes, treasury bills and term deposits maturing within a year are stated at cost. Long-term investments in interest-bearing financial instruments intended to be held to maturity are carried at amortized cost. When a decline in fair value is considered to be other than temporary, the write-down is recorded immediately. Investment income is recognized on the accrual basis.

(d) Member assessments are recognized as income when due.

(e) Liquidation dividends are recorded when notification of such is received from the liquidator. Refunds of previous member assessments are considered at this time. Any fund balance remaining will be refunded to members once the liquidator has been formally discharged by the court.

(f) In respect of amounts transferred between the funds, interfund interest is computed at current market rates for each fund.

(g) A portion of office and administrative expenses incurred in the Operating Fund is allocated to the respective Liquidation Funds of member companies in liquidation based on management's estimates of such costs attributable to these liquidations.

(h) Capital assets are carried at cost less accumulated amortization. Amortization is provided on a straight-line basis over a period of three years. As at December 31, 2006 and 2005, capital assets acquired by the Corporation had been fully amortized.

(i) PACICC is registered as a non-profit organization and, accordingly, is currently exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

3. General and Designated Funds

The following summarizes the assessment activity in the general funds and the open insolvencies:

(a) Operating Fund

Administrative assessments are periodically levied against members to cover operating expenses not associated with a particular insolvency. For the year ended December 31, 2006, member administrative levies totalled $1,039,439 (2005 - $987,200).

(b) Compensation Fund

In 1997, the Board of Directors approved a Compensation Fund to provide for a permanent source of immediate funds in the event of any new insolvencies in the future. Members were assessed in 1998 and the amount was paid in equal annual instalments over the three-year period from 1998 to 2000.

(c) Markham General Fund

On July 24, 2002, a winding-up order was issued. PACICC member assessments for Markham General total $15,900,000 to date. There was no assessment levied in 2006 to cover the total expected funding requirement. The Board of Directors approved a further $7,000,000 general assessment in November 2006, to be levied during the first quarter of 2007. Member companies were advised of the assessment in November 2006 so they could account for it in their financial statements. Approximately $5,000,000 of this further Markham General assessment will be generated by applying available dividends (recovered from the estate of Maplex General Insurance Company) as credits toward the Markham General assessment owing. Claims paid to date by the liquidator total $15,558,957. Liquidation dividends of $1,461,422 have been received to date, of which $1,461,422 were recognized in 2006 and received in January 2007.

(d) Canadian Millers' Fund

On December 13, 2001, a winding-up order was issued. On January 2, 2002, the Board of Directors of PACICC approved and management levied an assessment of $3,000,000 and approved that withdrawals of up to $7,000,000 could be made from the Compensation Fund to pay unearned premiums and claims. Liquidation dividends of $2,611,287 have been received to date, of which $74,179 were recognized in 2006. Claims paid to date by the Corporation total $4,429,002.

(e) Reliance Fund

On December 3, 2001, a winding-up order was issued. This is a branch operation and the liquidator, with the approval of the court, continues to run the operation. It is not expected that there will be a shortfall in the liquidation requiring funding by PACICC. The agreement between PACICC and the liquidator indicates that all eligible payments made by the liquidator shall be deemed to be loaned by the liquidator to PACICC. The liquidator can demand repayment of this amount, including interest, and PACICC will be required to pay within 90 days. Management and the liquidator believe that there is a low likelihood that this contingency will result in any liability to PACICC. At December 31, 2006, the eligible claim payments made by the Corporation under this agreement amounted to $22,950,733 (note 3(m)).

(f) GISCO Fund

In 2000, the Board of Directors approved an assessment of $5,000,000 and billed members $3,500,000. The previously approved but unbilled assessment of $1,500,000 was determined not to be required and was reversed in 2004. Claims paid to date by the Corporation total $4,300,707. Liquidation dividends received to date total $2,500,000.

(g) Maplex Fund

The Board of Directors approved an assessment of $20,000,000 and billed members $10,000,000 in each of 1995 and 1996. Liquidation dividends of $16,109,713 have been received to date, of which $2,890,066 was received in 2006. The total claims paid to date by the Corporation amount to $23,477,513.

(h) Hiland Fund

In 1994, the Board of Directors approved an assessment of $5,000,000. However, in accordance with PACICC By-Laws, $4,289,038 was billed in total to the members to the end of 2000. Liquidation dividends of $4,354,500 have been received to date. The previously approved but unbilled assessment of $710,962 was determined not to be required, and hence was reversed in 2000. Claims paid to date by the Corporation total $6,600,946.

(i) Beothic Fund

In 1993 an assessment in the amount of $2,500,000 was authorized by the Board of Directors. However, in accordance with PACICC By-Laws, members were billed $1,011,212 in that year. The $1,488,788 previously approved but unbilled assessment was determined not to be required, and hence was reversed in 1996. Claims paid to date by the Corporation total $2,309,511. Dividends of $1,949,517 have been received to date.

(j) Canadian Universal Fund

The Board of Directors approved and billed a $2,000,000 assessment in 1992. PACICC has paid several claims and the liquidator has reimbursed in full. Claims paid to date by the Corporation total $527,085. No further claims are expected by the liquidator.

(k) Ontario General Fund

In 1990, the Board of Directors approved an assessment of $1,000,000, which was billed to the members. Claims paid to date by the Corporation total $594,210. No further claims are expected by the liquidator.

(l) Advocate Fund

In 1989, the Board of Directors approved an assessment of $10,000,000, which was billed to the members. The progress of claims paid and liquidation dividends received resulted in a refund to members of $6,000,000 in 1995. All PACICC claims have been paid and final liquidation dividends of $3,520,934 were received in 1999. Claims paid by the Corporation total $44,037,846.

(m) Negative liquidation fund balance

Reliance was in a deficit position of $115,709 as at December 31, 2006. Management expects that future recovery of PACICC expenses from the estate will exceed this negative balance.

For the year ended and as at December 31, 2006

(Tabular amounts in thousands of dollars)

4. Liquidation funds

The following table summarizes the operations and changes in fund balances and financial position of the designated funds:

	Liquidation dividend refund	Canadian Millers	Reliance	GISCO	Maplex	Hiland	Beothic	Canadian Universal	Ontario General	Advocate	Markham General	Total
Fund balances, beginning of year	($36)	$375	($112)	$548	$2,621	$463	$151	$706	$200	$1,512	–	$6,428
Investment income	82	36	–	29	124	20	–	25	7	49	114	486
Liquidation dividends	–	74	–	–	2,890	–	–	–	–	–	1,461	4,425
	46	485	(112)	577	5,635	483	151	731	207	1,561	1,575	11,339
Claims paid	–	105	–	220	–	–	–	–	–	–	2,868	3,193
Reduction in accounts payable respecting claims	–	–	–	–	–	–	–	–	–	–	(1,582)	(1,582)
Expenses	15	80	3	24	41	18	–	1	–	5	131	318
Fund balances, end of year	**$31**	**$300**	**($115)**	**$333**	**$5,594**	**$465**	**$151**	**$730**	**$207**	**$1,556**	**$158**	**$9,410**
Fund balances represented by:												
Cash and term deposits	$1,019	$452	–	$738	$4,807	$617	$115	$782	$213	$1,076	$1,003	$10,822
Accrued interest	4	1	–	3	14	2	–	2	1	3	7	37
Interfund receivable (payable)	(264)	(153)	(115)	(387)	862	(36)	36	(54)	(7)	477	(1,972)	(1,613)
Dividends receivable	–	–	–	–	–	–	–	–	–	–	1,461	1,461
	759	300	(115)	354	5,683	583	151	730	207	1,556	499	10,707
Accounts payable	–	–	–	21	89	118	–	–	–	–	341	569
Refund payable to members (note 5)	728	–	–	–	–	–	–	–	–	–	–	728
Fund balances, end of year (note 3 (m))	**$31**	**$300**	**($115)**	**$333**	**$5,594**	**$465**	**$151**	**$730**	**$207**	**$1,556**	**$158**	**$9,410**

5. Refund to member companies

On April 13, 2005, PACICC's Board of Directors authorized a refund from the proceeds of liquidation dividends to contributing members totalling $19,880,520. This amount represented 80% of the total accumulated dividends recovered by PACICC from the estates of the following insolvent insurers: Advocate; Ontario General; Canadian Universal; Beothic; Hiland and Maplex.

As of December 31, 2006, PACICC had paid out $19,152,638 from the total amount authorized for distribution. A further $249,785 has been claimed by members and is expected to be paid out in 2007. Of the residual amount of $478,097, PACICC expects to pay out $331,010 when instructions are received from several member companies on how to allocate the funds; the remaining amount of $147,087 represents unclaimed refunds where PACICC is still in the process of determining ultimate ownership.

6. Investments

(a) Carrying amounts and fair value

	2006		2005	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and term deposits	$25,463	$25,864	$29,723	$29,723
Bonds	23,454	23,393	23,433	23,919
Total	**$48,917**	**$49,257**	$53,156	$53,642

Fair values for invested assets are determined by reference to quoted market prices.

(b) Effective interest rates, interest rate risk and credit risk

(i) Cash and term deposits

These investments have an aggregate carrying amount of $25,463 (2005 - $29,723). Term deposits consist primarily of federal government short-term instruments with a maximum term to maturity of one year in an institutional pool of assets. Included in these amounts are certain term certificates amounting to $3,500 (2005 - $5,692) with maturity terms over a year. The effective interest rates on these securities were 2.91% to 3.52% for 2006 (2005 - 2.40% to 3.78%).

(ii) Bonds

	Remaining term to maturity			2006		2005	
	Within 1 year	1 to 5 years	Over 5 years	Total carrying amount	Effective rates %	Total carrying amount	Effective rates %
Government of Canada	$6,661	$9,320	–	$15,981	3.02% to 6.48%	$19,366	3.02% to 6.48%
Corporate	–	$7,473	–	$7,473	3.43% to 4.22%	$4,067	3.43% to 4.22%
	$6,661	**$16,793**		**$23,454**	**3.02% to 6.48%**	$23,433	3.02% to 6.48%

7. Administrative expenses

	2006	2005
Operating Fund:		
Salaries and benefits	$574	$548
Research and other consulting	222	192
Premises	112	109
Miscellaneous	61	76
Legal fees	74	71
Travel	59	58
Board of Directors' fees and expenses	56	44
Corporate secretary and accounting services	43	43
Furniture and equipment	34	25
Telephone and postage	24	25
Printing and supplies	19	22
Insurance	13	7
Bank charges	3	4
	$1,294	$1,224
Compensation Fund:		
Inter-fund investment expense	$2	$2

8. Assessment capacity

PACICC has the ability to make a maximum potential annual general assessment of members of 1.5% (2005 - 1.5%) of covered premiums written, which amounted to approximately $504,000,000 in 2006 (2005 - $500,000,000). As a result of the loan arrangement with the liquidator of Reliance (note 3(e)), $25,000,000 (2005 - $25,000,000) of this assessment capacity is reserved to cover possible obligations of the Reliance liquidation.

9. Lease commitments

The Corporation renewed its lease for office premises for a period of five years ending December 31, 2007. The annual lease commitment is $49,929.

10. Contingent liabilities

The Corporation, from time to time, is named in actions for losses, damages and costs allegedly sustained by the plaintiffs. In connection with these actions, management believes that the Corporation will not incur any significant losses or expenses. The Corporation is also contingently liable under a loan agreement with the liquidator of a member company in liquidation (note 3(e)).

11. Fair value disclosure

The carrying amounts of financial assets and liabilities, other than invested assets, approximate their fair values due to the short-term nature of these financial instruments.

PACICC member companies

ACE INA Insurance

Affiliated FM Insurance Company

Alberta Motor Association
Insurance Company

Allianz Global Risks U. S. Insurance Company

Allstate Insurance Company

Allstate Insurance Company of Canada

Alpha, compagnie d'assurances Inc.

American Bankers Insurance Company
of Florida

American Home Assurance Company

American Road Insurance Company

Antigonish Farmers Mutual Insurance
Company

Arch Insurance Company

Ascentus Insurance Ltd.

Aspen Insurance U.K. Ltd.

Assurance Mutuelle des Fabriques
de Montreal

Assurance Mutuelle des Fabriques de Quebec

Atlantic Insurance Company Ltd.

Avemco Insurance Company

Aviation and General Insurance Company

Aviva Insurance Company of Canada

Aviva International Insurance Ltd.

AXA Assurances Agricoles Inc.

AXA Assurances Inc.

AXA Corporate Solutions Assurance

AXA General Insurance

AXA Insurance (Canada)

AXA Pacific Insurance Company

BCAA Insurance Corporation

Belair Insurance Company Inc.

Berkley Insurance Company

Boiler Inspection and Insurance Company
of Canada

British Aviation Insurance Company Limited

British Columbia Life & Casualty Company

CAA Insurance Company (Ontario)

Canadian Direct Insurance Inc.

Canadian Farm Insurance Corporation

Canadian Northern Shield Insurance
Company

Canadian Union Insurance Company

Canassurance compagnie d'assurances
générales Inc.

Capitale, compagnie d'assurance générale

Centennial Insurance Company

Certas Direct Insurance Company

Chubb Insurance Company of Canada

Clare Mutual Insurance Company

Coachman Insurance Company

Commerce and Industry Insurance
Company of Canada

Commonwealth Insurance Company

Constitution Insurance Company of Canada

Continental Casualty Company

Co-operators General Insurance Company

Coseco Insurance Company

CUMIS General Insurance Company

DaimlerChrysler Insurance Company

Desjardins General Insurance Inc.

Dominion of Canada General Insurance
Company

Eagle Star Insurance Company Ltd.

Ecclesiastical Insurance Office PLC

Echelon General Insurance Company

Economical Mutual Insurance Company

Electric Insurance Company

Elite Insurance Company

Employers Insurance Company of Wausau

Employers Reinsurance Corporation

Entraide Assurance

Equitable compagnie d'assurances générales

Everest Insurance Company of Canada

Factory Mutual Insurance Company

FCT Insurance Company

Federal Insurance Company

Federated Insurance Company of Canada

Federation compagnie d'assurances du Canada

Fenchurch General Insurance Company

First Canadian Insurance Corporation

First Canadian Title
First North American Insurance Company
Fortress Insurance Company

GCAN Insurance Company
General Reinsurance Corporation
Germania Mutual Insurance Company
GMS Insurance Inc. (Group Medical Services)
Gold Circle Insurance Company
Gore Mutual Insurance Company
Grain Insurance and Guarantee Company
Great American Insurance Company
Great American Insurance Company of New York
Groupe Estrie-Richelieu, compagnie d'assurance
Guarantee Company of North America

Hanover Insurance Company
Hartford Fire Insurance Company Ltd.
Highlands Insurance Company
Hutterian Brethern Mutual Insurance Corporation

ICAROM Public Limited Company
Industrial Alliance Pacific General Insurance Corporation
Industrielle Alliance compagnie d'assurances générales
ING Insurance Company of Canada
ING Novex Insurance Company of Canada
Innovassur, assurances générales Inc.
Innovative Insurance Corporation
Insurance Company of Prince Edward Island
Insurance Corporation of British Columbia

Jevco Insurance Company
Jewelers Mutual Insurance Company

Kings Mutual Insurance Company
Kingsway General Insurance Company

Legacy General Insurance Company
Liberty International Underwriters Canada
Lloyd’s Underwriters
Lombard General Insurance Company of Canada
Lombard Insurance Company
London & Midland General Insurance Company
Lumbermen’s Mutual Casualty Company

Markel Insurance Company of Canada
Max Canada Insurance Company
Mennonite Mutual Fire Insurance Company
Mennonite Mutual Insurance Company (Alberta) Ltd.
Metro General Insurance Corporation Ltd.
Millennium Insurance Corporation
Missisquoi Insurance Company
Mitsui Sumitomo Insurance Company Ltd.
Motors Insurance Corporation
Munich Reinsurance America Inc.
Mutual Fire Insurance Company of British Columbia
Mutuelle d'Eglise de l'Inter-Ouest

National Liability & Fire Insurance Company
NIPPONKOA Insurance Company Ltd.
Nordic Insurance Company of Canada
North American Specialty Insurance Company
North Waterloo Farmers Mutual Insurance Company

Old Republic Insurance Company of Canada
Omega General Insurance Corporation
Optimum Assurance Agricole Inc.
Optimum Société d’assurance Inc.
Optimum West Insurance Company

PAFCO Insurance Company
Peace Hills General Insurance Company
Pearl Assurance Public Limited Company
Personal Insurance Company
Personnelle, assurances générales
Perth Insurance Company
Pictou County Farmers' Mutual Fire Insurance Company

Pilot Insurance Company
Pool Insurance Company
Portage La Prairie Mutual Insurance Company
Premier Insurance Company
Prince Edward Island Mutual Insurance Company
Progressive Casualty Insurance Company
Promutuel Gaspésie-Les Iles Société mutuelle d'assurance générale
Promutuel Reassurance
Promutuel Temiscouata
Protective Insurance Company
Providence Washington Insurance Company

Quebec Assurance Company

RBC General Insurance Company
RBC Travel Insurance Company
RCA Indemnity Corporation
Red River Valley Mutual Insurance Company
Reliance Insurance Company
Royal & SunAlliance Insurance Company of Canada

S & Y Insurance Company
Safety National Casualty Corporation
Saskatchewan Motor Club
Saskatchewan Mutual Insurance Company
Scotia General Insurance Company
Scottish & York Insurance Company Ltd.
Seaton Insurance Company
Securican General Insurance
Security Insurance Company of Hartford
Security National Insurance Company
Sentry Insurance, A Mutual Company
SGI Canada
SGI Canada Insurance Services Ltd.
Sompo Japan Insurance Inc.
Sovereign General Insurance Company
SSQ, Societe d'assurances générales Inc.
St. Paul Fire and Marine Insurance Company
State Farm Fire and Casualty Company
State Farm Mutual Automobile Insurance Company

T.H.E. Insurance Company Ltd.
TD Direct Insurance Company
TD General Insurance Company
TD Home and Auto Insurance Company
Temple Insurance Company
TIG Insurance Company
Tokio Marine & Nichido Fire Insurance Company
Traders General Insurance Company
Trafalgar Insurance Company of Canada
Trans Global Insurance Company
Travelers Guarantee Company of Canada
Travelers Indemnity Company
Trisura Guarantee Insurance Company
TTC Insurance Company Limited

UAP-New Rotterdam Insurance Company N.V.
Unifund Assurance Company
Union Canadienne, compagnie d'assurances
Unique, compagnie d'assurances générales
United General Insurance Corporation
Utica Mutual Insurance Company

Virginia Surety Company Inc.

Waterloo Insurance Company
Wawanesa Mutual Insurance Company
Western Assurance Company
Westland Insurance Company

XL Insurance Company Ltd.
XL Reinsurance America Inc.

York Fire and Casualty Insurance Company

Zenith Insurance Company
Zurich Insurance Company

PACICC board of directors

2006 Board

Kevin McNeil
Chair
President and CEO,
Gore Mutual Insurance Company

Lea Algar
Chair,
General Insurance OmbudService

Diane Brickner
Deputy Chair
President,
Peace Hills General Insurance Company

George Cooke
President and CEO,
The Dominion of Canada General Insurance Company

Paul Kovacs
President and CEO,
PACICC

Igal Mayer
President and CEO,
Aviva Canada Inc.

Earl McGill
Former Superintendent of Insurance for Manitoba (retired)

Lawrie Savage
President,
Lawrie Savage & Associates Inc.

Alain Thibault
President and CEO,
TD Meloche Monnex

David Woolley
President,
Atlantic Insurance Company Ltd.

Board Committees

Audit

Earl McGill (Chair)
Lea Algar
Diane Brickner
Igal Mayer
Kevin McNeil

Governance and Human Resources

Kevin McNeil (Chair)
George Cooke
Lawrie Savage
Alain Thibault
David Woolley

PACICC staff and contact information

Paul Kovacs
President and Chief Executive Officer

Full-time staff

Jim Harries
Vice President, Operations

Darrell Leadbetter
Manager, Research

Tracy Waddington
Manager, Administration

Contract and part-time staff

Reg Riddles
Vice President, Claims

Randy Bundus
Vice President, Secretary and Counsel

Address

20 Richmond Street East, Suite 210
Toronto, Ontario M5C 2R9
Phone (416) 364-8677
Fax (416) 364-5889
www.pacicc.ca

PACICC staff, L to R. Seated: Darrell Leadbetter and Paul Kovacs.
Standing: Reg Riddles, Tracy Waddington and Jim Harries.

Provincial regulators

W. Alan Clark
Superintendent and
Chief Executive Officer
Financial Institutions Commission
of British Columbia
1200-13450 102nd Avenue
Surrey, British Columbia V3T 5X3
Tel: (604) 953-5300
Fax: (604) 953-5301
www.fic.gov.bc.ca

Dennis Gartner
Superintendent of Financial Institutions
Province of Alberta Treasury
Department
402 Terrace Building,
9515 – 107 Street
Edmonton, Alberta T5K 2C3
Tel: (780) 422-1592
Fax: (780) 420-0752
www.finance.gov.ab.ca

James Hall
Superintendent of Insurance
Saskatchewan Financial Services
Commission
1919 Saskatchewan Drive, 6th Floor
Regina, Saskatchewan S4P 3V7
Tel: (306) 787-7881
Fax: (306) 787-9006
www.sfsc.gov.sk.ca

Jim Scalena
Superintendent of Financial Institutions
Manitoba Department of Consumer
and Corporate Affairs
405 Broadway Avenue, Suite 1115
Winnipeg, Manitoba R3C 3L6
Tel: (204) 945-2542
Fax: (204) 948-2268
www.gov.mb.ca

Bob Christie
Superintendent and
Chief Executive Officer
Financial Services Commission
of Ontario
5160 Yonge Street, 17th Floor, Box 85
North York, Ontario M2N 6L9
Tel: (416) 250-7250
Fax: (416) 590-7070
www.fsco.gov.on.ca

Jean St-Gelais
Superintendent and
Chief Executive Officer
Autorité des Marchés Financiers
Place de la Cité, Tour Cominar
2640, boulevard Laurier 8e étage
Québec, Québec G1V 5C1
Tel: (418) 525-7571
Fax: (418) 528-2791
www.lautorite.qc.ca

Doug Murphy
Superintendent of Insurance
Ministry of Finance
5151 Terminal Road, 7th Floor
P.O. Box 2271
Halifax, Nova Scotia B3J 1A1
Tel: (902) 424-6331
Fax: (902) 424-1298
www.gov.ns.ca/enla/fin/fininst.htm

Robert Bradley
Superintendent of Insurance
Office of the Attorney General
P.O. Box 2000
95 Rochford Street,
Shaw Building, 4th Floor
Charlottetown,
Prince Edward Island C1A 7N8
Tel: (902) 368-6478
Fax: (902) 368-5283
www.gov.pe.ca

David Weir
Superintendent of Insurance (Acting)
Department of Justice
P.O. Box 6000, Centennial Building
440 King Street
Fredericton, New Brunswick E3B 5H8
Tel: (506) 453-2512
Fax: (506) 453-7435
www.gnb.ca

Winston Morris
Assistant Deputy Minister
Superintendent of Insurance
Department of Government Services and Lands
Confederation Building, West Block
2nd Floor
P.O. Box 8700
St. John's, Newfoundland A1B 4J6
Tel: (709) 729-2570
Fax: (709) 729-4151
www.gov.nf.ca

Douglas Doak
Superintendent of Insurance
Division of Taxation and Assessment
Department of Finance
Government of Northwest Territories
3rd Floor, YK Centre Building
4822-48th Street
Yellowknife, Northwest Territories
X1A 3S3
Tel: (867) 873-7308
Fax: (867) 873-0325
www.fin.gov.nt.ca

Fiona Charbonneau
Superintendent of Insurance (Acting)
Department of Community Services
P.O. Box 2703 (C-5)
Whitehorse, Yukon Y1A 2C6
Tel: (867) 667-5111
Fax: (867) 667-3609
www.gov.yk.ca

Federal regulator

Julie Dickson
Acting Superintendent
Office of the Superintendent of Financial Institutions
255 Albert Street
Ottawa, Ontario K1A 0H2
Tel: (613) 990-7628
Fax: (613) 993-6782
www.osfi-bsif.gc.ca