PACICC

Property and Casualty Insurance
Compensation Corporation

Annual Report 2009

Insolvency protection for:

home…

automobile…

and business insurance customers

PACICC fast facts for 2009

Insurance company liquidations supported by the Property and Casualty Insurance Compensation Corporation (PACICC) at year-end 2009 were mostly at a mature stage. Only 30 known claims remain to be settled. During 2009, payments totaling $991,000 were made to or on behalf of 12 policyholders. Since its establishment in 1988, PACICC has paid out $106 million to or on behalf of approximately 10,000 policyholders.

PACICC covers most claims under 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 covered indemnity claims to a maximum of $250,000 for each occurrence ($300,000 for personal property claims). In addition, unearned premium refunds are paid to a maximum of $700 (70 percent of $1,000).

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 2009

- Completing a successful review of PACICC's corporate governance practices, resulting in decisions to adopt a written Board mandate and a Code of Ethics and Business Conduct applying to all directors and employees of PACICC
- Launching discussions with insurance supervisors aimed at strengthening PACICC's preparedness for an extraordinary insolvency event, including the use of an industry liquidity facility and the possibility of counter-cyclical insolvency assessments
- Making successful submissions to OSFI and AMF on the role of reinsurance as it relates to P&C insurance company liquidations in Canada, in particular, highlighting the need for effective insolvency clauses in reinsurance contracts
- Publishing PACICC's latest insolvency research findings ("Inadequately pricing the promise of insurance") as part of our *Why insurers fail* series

Contents

PACICC had a successful year in 2009. No insolvencies occurred among our more than 200 member insurance companies and we made progress on several important strategic initiatives, including better financial preparedness and reviewing our corporate governance practices.

Many Canadians, and many sectors of our economy, have experienced difficult times during the past year and conditions seem likely to remain challenging in 2010. Government deficits have ballooned with the costs of providing fiscal stimulus and reduced tax revenues. More than 300,000 jobs were lost in Canada last year, and the number of insolvent businesses increased by thirty percent. Uncertainty continues to adversely affect financial markets.

While the P&C insurance industry has provided an element of financial stability for Canadians, we nevertheless face significant challenges. There has been an alarming increase in the cost of vehicle collisions. We continue to see marked increases in property damage from severe weather. The value of investments held by insurance companies has come under pressure. The introduction of the Harmonized Sales Tax will add to the costs of providing insurance in British Columbia and Ontario. In the coming years, the threat of inflation only adds to the concerns facing the industry and the Canadian economy in general.

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As the P&C industry has likely reached the weakest point in this insurance cycle, the risk of insolvency is on the rise. Over the past thirty years or so, on average, four or five insurance companies have failed during each cycle: most within the first year or two of recovery. Fortunately the industry as a whole continues to be strongly capitalized.

An emphasis on preparedness

The most important strategy that PACICC can pursue during such times is to bolster its preparedness to respond to the next insolvency. That is exactly what we did in 2009. Four examples are noteworthy.

Reinsurance review

The Office of the Superintendent of Financial Institutions (OSFI) and the Autorité des Marchés Financiers (AMF) in Quebec jointly conducted a consultative review of reinsurance market practices during 2009. PACICC submitted a discussion paper highlighting the importance of being able to collect reinsurance receivables when an insolvent insurer is ordered to be wound up. We continue to discuss with OSFI, AMF, the Reinsurance Research Council and other interested parties, actions to improve insolvency clauses in reinsurance contracts.

Because corporate governance is continually evolving, all organizations need to examine their practices periodically to ensure that their governance remains effective. PACICC did so in 2009.

Preparing for extraordinary insolvency events

PACICC's Enterprise Risk Management Plan helped the Corporation identify a potential vulnerability to an "extraordinary" insolvency event. In practice, this could involve the failure of a large or several small member insurance companies. It is important to note that while such scenarios are unlikely, the impact on PACICC, should they occur, could be significant. As a result, the Corporation needs to consider in advance how it would respond. To this end, PACICC was able to launch discussions with insurance regulators about two potential mitigations: an industry liquidity facility, and a possible counter-cyclical insolvency assessment funding mechanism. The discussions are continuing in 2010, and PACICC will consult with member companies as part of the process.

Corporate governance review

Because corporate governance is continually evolving, all organizations need to examine their practices periodically to ensure that their governance remains effective. PACICC did so in 2009. While our governance was found to be effective, the review identified some opportunities to strengthen and clarify practices. In particular, we adopted a written Board mandate and a Code of Ethics and Business Conduct to which all PACICC directors and employees agree to adhere. (Details can be found on the Corporation's website at **www.pacicc.ca**).

Research on price and reserve inadequacy

As part of its regular *Why insurers fail* publication series, PACICC completed research in 2009 that showed inadequate pricing to be the leading cause of failure for P&C insurance companies. Findings also highlighted the problematic role of rate regulation, revealing that de-linking the relationship between prices and claims increases the risk of insolvency. Moreover, insolvent insurers underwriting rate-regulated products have proven to be more expensive to liquidate. PACICC's research findings on insolvency risks related to price and reserve inadequacy were widely circulated to member insurers, regulators and other stakeholders.

All of the work described above serves to strengthen PACICC's ability to fulfill its essential role of protecting policyholders should a member insurance company become insolvent.

Your Board of Directors

Some recent changes have been made to PACICC's Board of Directors. As of January 1, 2010, I assumed the role of Board Chair from Robin Spencer following his promotion and return to the United Kingdom. In addition, Kevin McNeil of Gore Mutual Insurance Company, also a former PACICC Chair, has decided to step down at the 2010 Annual General Meeting after serving eight years on the Board. Alister Campbell of Zurich Insurance has recently joined our Board, and Maurice Tulloch of Aviva Canada has been nominated to join the Board at our 2010 Annual General Meeting. All members of the Board thank both Kevin and Robin for their outstanding contributions to PACICC's work, and extend a warm welcome to Alister and Maurice.

PACICC's success continues to rest upon the early identification of priority industry issues and taking appropriate actions to address them. For the period 2010 to 2012, PACICC's strategic plan focuses on three key priorities. In 2010, we will launch a discussion about options to strengthen the solvency supervisory standards and practices that apply to provincially-incorporated P&C insurance companies. In 2011, our focus will be on promoting risk management as we facilitate dialogue among PACICC member insurers on the benefits of adopting comprehensive risk management practices and approaches. In 2012, we will participate in the scheduled five-year review of the Federal *Insurance Companies' Act*, *Bank Act* and other financial-sector legislation, with emphasis on enhancing the safety and soundness of Canada's P&C insurance companies.

Strengthening provincial solvency supervision

PACICC's principal focus in 2010 will be on launching a discussion about options to strengthen the solvency supervisory standards and practices that apply to provincially-incorporated P&C insurance companies. We will review some elements of the solvency supervisory systems for provincially-licensed insurers in Canada in relation to the international best regulatory practices set out by the International Association of Insurance Supervisors (IAIS) in their report *Common Structure for the Assessment of Insurer Solvency*. As part of the process, we plan to develop a toolkit for enhancing solvency supervision that will be made available to provincial supervisors and legislators.

...we are exploring with insurance regulators, liquidators and member insurers the concept of an industry liquidity facility to enhance PACICC's ability to respond to extraordinary insolvency events...

We will also work with provincial insurance supervisors to support their preparedness for future insolvencies. This work could include information seminars involving issue experts, and the sharing of support materials like a model wind-up order and communications information.

As well, we are exploring with insurance regulators, liquidators and member insurers the concept of an industry liquidity facility to enhance PACICC's ability to respond to extraordinary insolvency events and a possible counter-cyclical funding mechanism for insolvency assessments. Consultations on these initiatives are ongoing.

We also plan to complete case study research on the failure of Advocate General Insurance Company, the largest PACICC member insolvency. This will be the fourth paper in PACICC's *Why insurers fail* series of research studies.

Risk management promotion and financial sector review

In 2011, PACICC plans to facilitate dialogue among its member insurers regarding the benefits of adopting comprehensive risk management practices and approaches. Key messages will be based on findings from a planned benchmarking ERM survey of PACICC members. Our goal is to determine the extent to which member companies have implemented a comprehensive risk management approach appropriate to their risk profile, identifying significant risks relating to underwriting, market, credit, operations and liquidity. With a special focus on smaller insurance companies, we will encourage members to incorporate ERM in their corporate planning activities as an effective approach to manage risk, consistent with rating agencies' and regulators' growing expectation of the employment of comprehensive risk management practices by insurers. And PACICC will work with OSFI to reinforce among its member companies the risk management practices expected by the Federal regulator.

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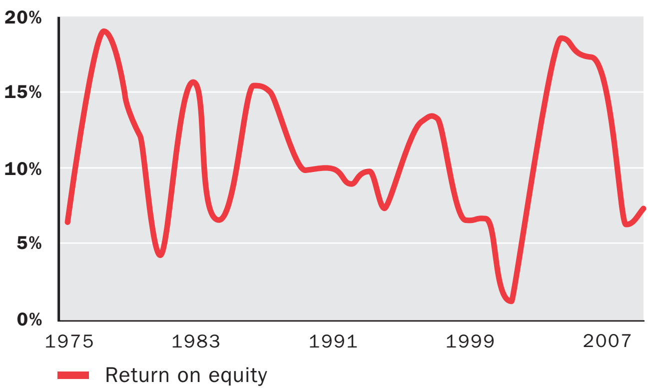
In 2012, PACICC expects to participate in the scheduled five-year review of the Federal *Insurance Companies' Act*, *Bank Act* and other financial-sector legislation, with emphasis on enhancing the safety and soundness of Canada's P&C insurance companies. We will liaise with member insurers, liquidators, insurance regulators and insurance consumers to identify solvency issues relevant to the legislative review. PACICC will continue to champion reforms to the *Winding-up and Restructuring Act* (WURA) to improve the operating environment for PACICC, our member companies, liquidators and regulators with respect to managing insurance company insolvencies. As well, PACICC plans to participate in ongoing dialogue regarding macro-prudential supervision by contributing information about systemic risk in the P&C insurance industry.

In closing, I extend personal thanks and appreciation to the Corporation's Board of Directors for their guidance over the past year, and to our professional staff for their continuing high-quality work. Now into our third decade of service, PACICC remains focused on minimizing the costs of insurer insolvencies and maintaining a high level of consumer and business confidence in Canada's P&C insurance industry. The Corporation is well-positioned for continuing success in the coming years.

No Canadian P&C insurers failed during 2009 but the environment continues to be one of heightened risk of insolvency. Industry results continued to weaken in 2009 as insurers headed deeper into the challenging part of the insurance cycle. Indeed, adjusted for the release of auto insurance reserves in Alberta, return on equity and the industry combined ratio were at their worst levels since 2002.

The industry's business environment in 2009 was quite tumultuous. In addition to the continuing reverberations of the financial crisis, the industry faced a deteriorating claims environment. During 2009, accident year data will eventually confirm that claims costs grew faster than premiums. Increases in claims costs were largely related to Ontario auto insurance and catastrophe losses in property. Further, a series of decisions by the courts and government will have an uncertain impact on the industry's operating environment during 2010.

Canadian P&C insurance cycle



Source : PACICC, with data from MSA Research

Historically, the risk of insolvency is at its highest at the bottom of the cycle and the first twelve to eighteen months of the recovery as weaker insurers do not have the capital to sustain themselves through to the next cycle.

Ongoing financial crisis

Canadian P&C insurers themselves had little direct exposure to the subprime instruments that triggered the global financial crisis, as most insurer assets are invested in the highest quality bonds. As P&C insurers largely held conservative and high quality assets both before and throughout the crisis, they were generally shielded from the financial market turmoil of 2008 and early 2009. However, they were not fully immune to the broader effects of the crisis.

The global financial crisis has seen the Government of Canada increase the volume of marketable securities by more than 20 percent over pre-crisis levels prior to 2007. A flight to quality has helped to push government bond yields – the primary investment of P&C insurers – to their lowest levels in more than sixty years. As government bond yields (three to five year) are highly correlated with industry aggregate investment income – with a correlation coefficient of 95 percent – the financial crisis continues to have implications for insurers. As a result, investment income for P&C insurers continues to fall as a proportion of total claims expenses. In the early 1990s, investment income was 20.6 percent of claims expense costs and had fallen to and had stabilized at 4.5 percent by the beginning of the millennium. However, in 2009, investment income as a share of claims expense costs fell to 3 percent. In 2009, return on investment was the lowest on record.

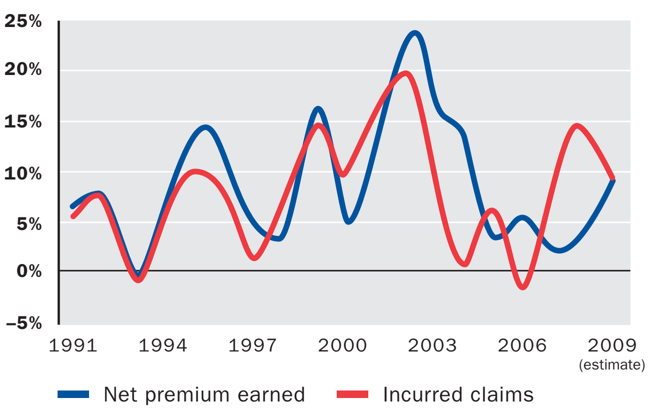
The crisis also introduced some volatility in the market value of insurer investment portfolios. In 2008, the fair value of insurer invested assets fell by 2.5 percent ($1.7 billion). While small relative to the industry aggregate, the losses were concentrated in a small number of institutions. The rebound in financial markets during the final three quarters of 2009 saw insurers regain much of this lost value.

No Canadian P&C insurer became financially distressed in 2009 as a result of the either subprime-related investments or the turmoil of the financial markets. However, going forward into 2010, interest rate risk is elevated. The consensus forecast among the bank economists calls for a full percentage point increase in interest rates. The correlation (73%) between such interest rate volatility and insolvency is high. Since 1970, interest rates have moved a full percentage point 19 times and an insurer failed in a majority of those years.

Underwriting environment

PACICC's core function, the resolution of insurers who involuntary exit the market, is closely and inversely linked to profitability and the insurance cycle. Periods of poor profitability increase the risk of insolvency, as limited capital may be further eroded by adverse claims development. A recently published paper in the *Journal of Insurance Issues* by researchers at the University of Calgary identified profitability as a significant variable in the risk of insolvency for Canadian P&C insurers. In the last period of weak profitability, between 2000 and 2003, six P&C insurers exited the market involuntarily, affecting nearly 100,000 policyholders, with PACICC and its members providing liquidators with $83 million to pay claims.

P&C insurance premium and claims growth



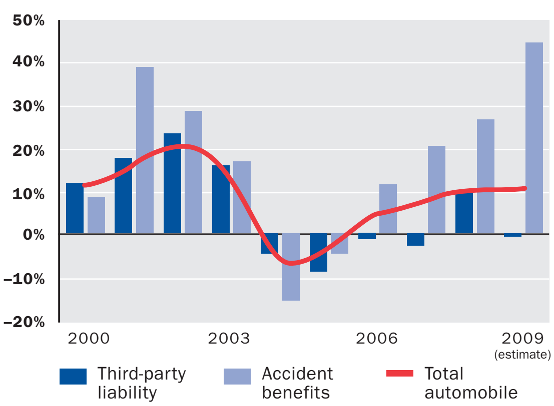
Source: PACICC, with data from MSA Research

Overall, industry underwriting profitability is down, driven by worsening loss ratios in many lines of business. Since 2007, the growth in claims costs has exceeded the growth in premiums. This has eroded the positive underwriting performance that occurred during the 2003 to 2007 period. Half of all PACICC member companies experienced underwriting losses in 2009. Combined with historically weaker investment returns, industry profitability would have declined during 2009 but for the release of auto reserves in Alberta.

In the key auto insurance segment, which represents nearly half of the industry by premium volume, premiums in 2009 increased on par with claims costs. This insurance cycle differs from the previous one in that claims costs have been stable or declining modestly in the liability segment of the automobile insurance product.

However, the claims experience in the accident benefits component of the auto insurance product – specifically the Ontario auto insurance product – has been worse than that of the previous cycle with the industry average accident benefit loss ratio exceeding 130 percent. After stable or declining rates in 2007 and 2008, insurers began increasing rates during 2009. Entering 2010, risk in this segment remains as claims growth continued to be 4.5 times that of premium growth. Accident benefits remain largely an Ontario auto market challenge and in the fall of 2009 the Ontario Ministry of Finance released a package of reforms to the Ontario auto product that observers hope will help limit potential future claims growth.

Trends in automobile insurance claim costs



Source: PACICC, with data from OSFI

The Alberta auto product situation was also clarified. The Supreme Court of Canada in December 2009 dismissed the application for leave to appeal on the Alberta Minor Injury Regulation (MIR). This follows a previous decision in February 2008 where the MIR cap on non-pecuniary damages for minor injuries was struck down as unconstitutional. In June 2009, the Alberta Court of Appeal overturned the decision made by the lower court and the decision was subsequently appealed to the Supreme Court of Canada. Effectively, the Supreme Court's dismissal of the appeal finds the cap on minor injuries to be constitutional. Resolution of this issue removes an important source of uncertainty in the Alberta auto product.

Climate risks and weather related claims

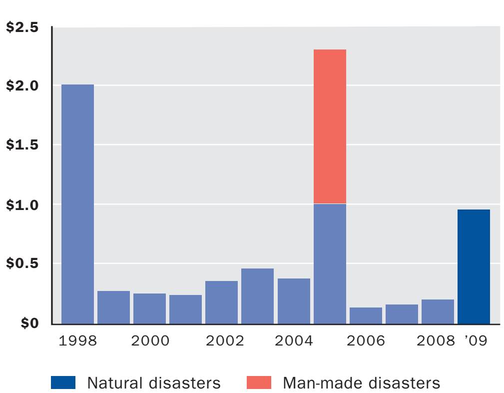
The insurance industry is uniquely positioned as a qualitative indicator of the potential socioeconomic impacts of climate change because the industry is sensitive to the effects of climate change and integrates these effects on other sectors. The Intergovernmental Panel on Climate Change (IPCC) highlights the research on climate risks and the impact on the financial services sector.

Climate perils and severe weather have historically been an important risk to P&C insurance solvency. The increase in disaster-related losses, particularly in the United States, in the 1980s and 1990s generated a flurry of research on insurance and disaster mitigation. Among the six prominent peer review research journals on insurance issues, the number of disaster-related articles increased significantly.

The 1998 Ice Storm further reinforced the lesson for Canadian insurers. In Canada, disaster severity and frequency have been rising. A one-in-ten year disaster related loss year prior to 1997 – a greater than $300 million in insured losses from disasters – has occurred six times since. Further, a $1 billion loss year has occurred three times since 1997 but did not occur once prior to that. The past year was one of those $1 billion catastrophe loss years.

In 1998, the Canadian P&C industry founded the Institute for Catastrophic Loss Reduction (ICLR) and partnered with the University of Western Ontario focusing on multi-disciplinary disaster prevention research. Today, insurers know a lot more about managing disaster-related risks.

Historical insurance catastrophe losses
$US billion



Source: PACICC, with data from IBC and AonBenfield

Insurers now incorporate catastrophe risk in their risk management policies. Risk is better spread across product lines and geographic markets. Insurers have also developed risk models, better utilized the reinsurance market and raised rates in high-risk areas. The result of active hazard risk management has been that disaster-related insolvencies of P&C insurance companies have declined even as insured losses from disasters have increased.

During 2009, the industry experienced one of its worst years in terms of weather-related catastrophe losses. Unlike the 1998 Ice Storm, which was a single large event concentrated in Quebec and Eastern Ontario, weather-related disasters in 2009 were experienced in all regions of the country from a variety of sources: storms, tornadoes, hail and wildfires. These multiple smaller events had an estimated average severity of approximately $106 million. As a result reinsurance, while important, played a smaller role in 2009 than in the Ice Storm. Primary insurers absorbed more of the claims themselves. Overall, catastrophe losses are estimated to have added 2.4 points to the industry combined property loss ratio during 2009.

The disaster losses of 2009 highlight the impact of climate risks on the industry and a changing understanding of claims cost trends. The very nature of claims costs in property coverage trends is changing. Historically, property insurance had been synonymous with fire insurance. However, since 2004 weather-related (water and wind) claims costs have exceeded those of fire to become the largest source of property insurance claims costs.

The increased severity of weather-related losses and the changing distribution of kinds of loss in the property insurance market serve to highlight the dynamic nature of risk from catastrophes and ultimately insolvency.

Regulatory and accounting changes

Effective July 1, 2010, Ontario and British Columbia will join three Atlantic provinces in harmonizing provincial sales taxes with the federal Goods and Services Tax (GST) into a new harmonized sales tax (HST). The new HST will increase claims costs as the cost of some services, for example legal fees, are not currently subject to provincial sales taxes. In some cases, this will result in an adverse shock to insurance reserves as the additional cost of the HST was not priced into the 2009 policies for claims that might arise after the July 1, 2010 introduction. Industry estimates this impact to generate a one-time industry aggregate negative shock of approximately $270 million in 2009.

In 2011, PACICC member insurers will be transition to the International Financial Reporting Standards (IFRS). In the near term, use of the new accounting standards is expected to generate increased financial reporting risk, particularly for smaller insurance companies. A 2006 KPMG survey of insurance companies on the implementation of IFRS by countries at that time found that two-thirds of insurers reported an increase in financial reporting risk, largely due to technical complexities, manual workarounds and management time taken up with implementation.

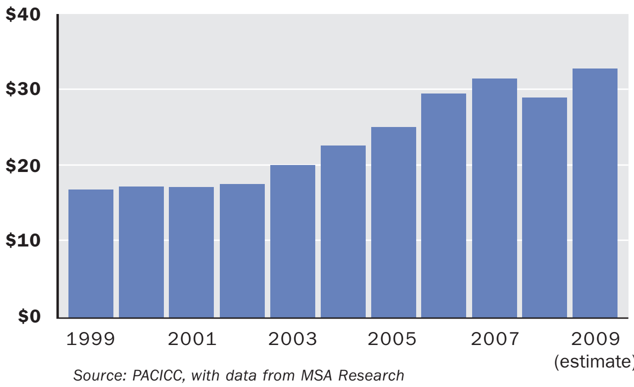
During 2010, Canadian insurers may experience similar challenges. As insurers will need to provide prior-year comparative information, member insurers will begin operational implementation in 2010 as insurers prepare their opening IFRS balance sheets. In October 2009, OSFI issued a draft advisory outlining the regulator's expectations and requirements for the implementation, including the filing of progress reports.

Liquidity and capital

Liquidity, the spark of the international financial crisis, has become an important determinant of confidence in a financial institution. Uniquely among financial sector industries, P&C insurers are primarily liability managers. Largely as a result of the industry's inverted production process, illiquidity rarely precedes the insolvency of a P&C insurance company. This focus on the liability side of the balance sheet makes the risk profile of P&C insurers substantively different than other financial institutions.

Industry capitalization

$ billions



Source: PACICC, with data from MSA Research

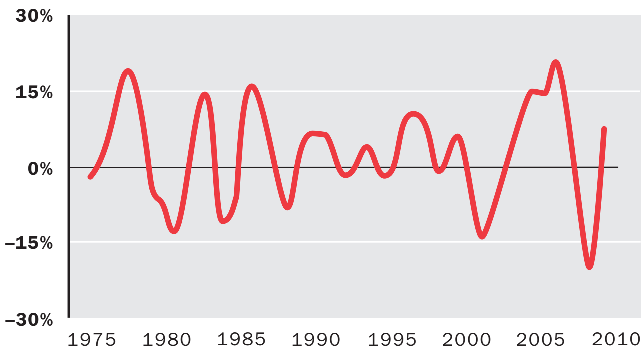
The five-year period between 2003 and 2007 permitted the P&C industry to rebuild its capital base following the period of weak results at the beginning of the decade. However, during 2008 fair value adjustments reflecting the volatile economic environment of the financial crisis saw insurer balance sheets weaken. In that year, for the first time since 2003, total capital in the industry fell. During 2009 insurers strengthened their balance sheets. As a result, the P&C insurance industry is better positioned to weather the insurance cycle as industry capitalization is much higher during this weakening of the cycle than had been the case in previous cycles.

Looking forward

From a solvency perspective the outlook for the P&C insurance industry for 2010 and 2011 is much weaker, and subject to greater uncertainty than the healthy improvement in performance recorded between 2003 and 2007. The industry is entering the point in the insurance cycle where history signals an increased risk of insolvency and financial distress. The number of PACICC member insurers reporting underwriting losses has increased significantly which, combined with volatility in financial markets and the threat of severe weather events, represent some of the immediate risks to insurer solvency.

The good news is that the industry, and most PACICC member insurers, have significantly built up their capital between 2003 and 2007. However, there are important variations in capital strength between companies. Also, there are important differences in degree of exposure to various risks. Nevertheless, industry-wide measures show that Canada's P&C insurers are facing the current downturn in the cycle from a position of capital strength.

Growth in capital in excess of growth in claims



Source: PACICC, with data from MSA Research

Risks related to underwriting are the main cause of past insolvencies in the P&C insurance industry. In particular, catastrophic rate inadequacy is the leading cause of failure, and the factor that often is most evident during the weakest point in the insurance cycle. As retained earnings are the primary source of capital growth in the industry, a growth rate for claims costs that is greater than that of capital is a risk indicator for the industry. Historically, there is a very high correlation between insolvency and claims growth exceeding that of capital growth. During 2009, insurers began to close the gap between the growth in claims costs and premiums.

PACICC's risk management protocol calls for the Audit Committee and the Board of Directors to review and approve, at least annually, an Enterprise Risk Management (ERM) plan for the Corporation. This process has become a permanent part of PACICC's governance and management practices, and is consistent with best practices of our member companies and other leading organizations in the financial services industry. Regular ERM reporting to stakeholders occurs in both the annual plan and in PACICC's annual report.

The ERM plan identifies more than 30 potential risks that PACICC could face. Risks are grouped in four main categories: regulatory, financial, operational, and reputation risks. The table below summarizes progress in addressing the Corporation's highest-rated risks.

Summary of PACICC priority risks and action plan status

Risk description and category	Plans for additional risk mitigation	Current status
Regulatory risks Provincial insurance supervisory frameworks may not meet the standards recommended by the International Association of Insurance Supervisors (IAIS)	• Conduct research to identify divergence from IAIS standards in each jurisdiction • Develop awareness and education plan to utilize research findings • Consider the quality of insurer solvency supervision when determining risk-based assessments that may be levied by PACICC	▸ Research commissioned by PACICC has confirmed the deficiency in solvency supervision in some provinces ▸ The proposed PACICC Plan for 2010-12 identifies this as the Corporation's priority issue for 2010
Regulation of insurance rates may contribute to insurer solvency problems	• Conduct research on the relationship between solvency and rate regulation; build into PACICC internal modeling • Consider rate regulation as a factor in any future risk-based assessments that may be levied by PACICC • Develop plan to utilize rate regulation research findings	▸ Research findings were published in 2009 as the third paper in PACICC's *Why insurers fail* series ("Inadequately pricing the promise of insurance") and circulated to PACICC members, insurance regulators and other stakeholders
Insurance company winding-up and restructuring practices are outdated in Canada	• Work plan approved by the Board in November 2007 has guided PACICC's work to address this risk	▸ Presentations and submissions made to Senate Banking, Trade & Commerce Committee and to Finance Canada ▸ Model legislation has been drafted in partnership with Assuris (PACICC's counterpart in the life insurance industry)

Risk description and category	Plans for additional risk mitigation	Current status
Financial risks In extraordinary circumstances, insolvency costs could exceed PACICC's available financial resources	• Explore options that could enhance PACICC's capacity to respond to extraordinary insolvency events, including an industry liquidity facility and a possible counter-cyclical funding mechanism • Premium tax offsets could also mitigate this risk • PACICC seeks to use liquidator loan agreements to fund covered claims payments where appropriate	▸ Options to address this risk were presented to the PACICC Board in November 2009 ▸ Member companies will be consulted in 2010 regarding possible options ▸ Board decisions on the options presented will guide PACICC's contingency planning
Operational risks PACICC's preparedness for the failure of a larger, or multiple smaller member companies may need to be strengthened	• Develop a contingency plan that addresses: claims management staffing; work space; funding; and communications and media response	▸ Contingency planning efforts are well advanced and should be ready to present to PACICC's Board of Directors during 2010
Reputation risks Processes to protect confidential information held by PACICC should be clarified and documented	• Conduct a security review of PACICC's premises • Develop a data/document classification and retention policy • Include accidental disclosure of confidential information in a media response plan	▸ Completed security review in cooperation with PACICC's landlord and building security personnel; security measures were found to be adequate ▸ Study and learn from the practices of others in the industry, including IBC ▸ Complete mitigation work on this risk during 2010-11

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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, 2009 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, 2009 and the results of its operations and the changes in its fund balances for the year then ended in accordance with Canadian generally accepted accounting principles

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada
January 22, 2010

Year ended and as at December 31, 2009, with comparative figures for 2008
(In thousands of dollars)

	2009				2008			
	Operating Fund	Compensation Fund	Liquidation Funds	Total	Operating Fund	Compensation Fund	Liquidation Funds	Total
			(note 4)					
Fund balances, beginning of year	$1,703	$42,950	$9,925	$54,578	$1,703	$40,160	$5,088	$46,951
Member assessments (refunds)	1,176	–	–	1,176	1,089	–	(3)	1,086
Investment income	7	1,581	86	1,674	58	1,940	539	2,537
Funding from liquidations and other	217	–	–	217	200	–	129	329
Liquidation dividends	–	–	6,349	6,349	–	–	4,337	4,337
Increase in unrealized gains on available-for-sale assets	–	69	–	69	–	850	–	850
	3,103	44,600	16,360	64,063	3,050	42,950	10,090	56,090
Claims and expenses	–	–	237	237	–	–	(27)	(27)
Unearned premium reimbursements	–	–	–	–	–	–	156	156
Administrative expenses (note 7)	1,453	–	–	1,453	1,347	–	–	1,347
Refund to members (note 5)	–	–	–	–	–	–	36	36
Fund balances, end of year	**$1,650**	**$44,600**	**$16,123**	**$62,373**	$1,703	$42,950	$9,925	$54,578
Fund balances represented by:								
Cash and term deposits (note 6)	$383	$8,151	$20,717	$29,251	$305	$12,257	$15,571	$28,133
Bonds (note 6)	–	36,165	–	36,165	–	30,421	–	30,421
Accrued interest	–	284	4	288	–	272	22	294
Interfund receivable (payable)	1,342	–	(1,342)	–	1,416	–	(1,416)	–
Other receivables	100	–	–	100	148	–	–	148
	1,825	44,600	19,379	65,804	1,869	42,950	14,177	58,996
Accounts payable	175	–	2,817	2,992	166	–	3,813	3,979
Refund payable to members (note 5)	–	–	439	439	–	–	439	439
Fund balances, end of year	**$1,650**	**$44,600**	**$16,123**	**$62,373**	$1,703	$42,950	$9,925	$54,578

Lease commitments (note 9)
Contingent liabilities (note 10)

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

On behalf of the Board:

George L Cooke

George Cooke, *Board Chair*

Earl McGill, *Director*

For the year ended and as at December 31, 2009

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 and for the year then ended. Actual results could differ from those estimates. The significant accounting policies are as follows:

(a) Member assessments are recognized as income when due. 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 estimated 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) Term deposits are designated as held-to-maturity ("HTM") and are recorded at amortized cost. Interest income is recorded on the accrual basis.

Bonds are designated as available for sale ("AFS") and are recorded at fair value, determined based on quoted market bid prices. Both realized gains and losses and unrealized gains and losses from changes in fair value are recorded as an adjustment to the fund balance in which the bonds are held, in the statement of operations and changes in fund balances and financial position. Interest income is recorded on the accrual basis.

(c) 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.

(d) 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.

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

(f) 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.

(g) 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, 2009, capital assets acquired by the Corporation had been fully amortized.

(h) 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.

(i) Effective January 1, 2009, the Corporation adopted The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 4470, Disclosure of Allocated Expenses by Not for-Profit Organizations. The adoption of this new standard had no impact on the financial statements.

(j) In June 2009, the CICA issued amendments to its Financial Instruments–Disclosure standard to expand disclosures of financial instruments consistent with new disclosure requirements made under International Financial Reporting Standards. These amendments were effective for the Corporation commencing January 1, 2009 and introduces a three-level fair value hierarchy that prioritizes the quality and reliability of information used in estimating the fair value of financial instruments (note 11(b)).

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.

(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 $22,887,343 to date. Claims paid to date by the liquidator total $19,119,808 and liquidation dividends of $8,640,557 have been received to date, of which $6,276,401 were recognized in 2009. Provisions of $1,720,000 have been made for future claim payments.

(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 $3,172,616 have been received to date, of which $21,973 were recognized in 2009. Claims paid to date by the Corporation total $4,634,971.

(e) Reliance Fund

In December of 2009, the Liquidator for Reliance received court approval for the estate to pay dividends of 100% to creditors. As a result, the loan and services agreement between PACICC and the Liquidator was terminated, along with any reserve on PACICC's general assessment capacity to back the former agreement. PACICC remains an Inspector in the Reliance liquidation, but no longer has any financial obligations to the estate.

(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 $4,962,189. Liquidation dividends received to date total $5,250,000, of which nil has been recognized in 2009. Provisions of $265,000 have been made for future claim payments.

(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 $19,024,266 have been received to date, of which $50,675 was received in 2009. The total claims paid to date by the Corporation amount to $23,464,563. Refunds totalling $5,275,969 have been declared, of which all but $75,148 has been distributed.

(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. The court approved a discharge of the liquidator for Advocate in June 2007. PACICC has no further obligation to the estate.

For the year ended and as at December 31, 2009
(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	GISCO	Maplex	Hiland	Beothic	Canadian Universal	Ontario General	Advocate	Markham General	Total
Fund balances, beginning of year	$61	$808	$1,979	$3,238	$491	$151	$779	$221	$1,653	$544	$9.925
Investment income	5	5	14	22	3	–	4	1	7	25	86
Liquidation dividends	–	22	–	51	–	–	–	–	–	6,276	6,349
	66	835	1,993	3,311	494	151	783	222	1,660	6,845	16,360
Claims paid	–	164	–	–	–	–	–	–	–	680	844
Accrued claims	–	–	–	–	–	–	–	–	–	(860)	(860)
Expenses	12	11	11	15	(77)	–	–	–	17	264	253
Fund balances, end of year	**$54**	**$660**	**$1,982**	**$3,296**	**$571**	**$151**	**$783**	**$222**	**$1,643**	**$6,761**	**$16,123**
Fund balances represented by:											
Cash and securities	$519	$831	$3,007	$4,833	$664	$116	$841	$229	$921	$8,756	$20,717
Accrued interest	–	–	1	1	–	–	–	–	–	2	4
Interfund receivable (payable)	89	(171)	(440)	(1,413)	(75)	35	(58)	(7)	722	(24)	(1,342)
	608	660	2,568	3,421	589	151	783	222	1,643	8,734	19,379
Accounts payable	190	–	286	50	18	–	–	–	–	1,968	2,512
Accrued expenses - liquidator	–	–	300	–	–	–	–	–	–	5	305
Refund payable to members (note 5)	364	–	–	75	–	–	–	–	–	–	439
Fund balances, end of year	**$54**	**$660**	**$1,982**	**$3,296**	**$571**	**$151**	**$783**	**$222**	**$1,643**	**$6,761**	**$16,123**

5. Refund to member companies

(a) 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, 2009, PACICC had paid out $19,156,296 from the total amount authorized for distribution of $19,520,520. Of the residual amount of $364,224, PACICC expects to pay out $213,148 when instructions are received from several member companies on how to allocate the funds; the remaining amount of $151,076 represents unclaimed refunds where PACICC is still in the process of determining ultimate ownership.

(b) On November 1, 2006, PACICC's Board of Directors authorized a refund of $5,275,969 from the proceeds of the Maplex liquidation. The amount distributed to date is $5,200,821. The final $75,148 will be distributed when instructions are received from several member companies on how to allocate the funds.

During 2009, no amounts (2008 - $35,763) were paid out.

6. Investments

(a) Carrying values and fair values

	2009		2008	
	Carrying value	**Fair value**	Carrying value	Fair value
Cash and term deposits	$29,251	$29,215	$28,133	$28,070
Bonds	36,165	36,165	30,421	30,421
Total	**$65,416**	**$65,380**	$58,554	$58,491

Term deposits are designated as HTM and are recorded at amortized cost. Bonds are designated as AFS and are recorded at fair value.

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

(i) Cash and term deposits
These investments have an aggregate carrying value of approximately $29,251,000 (2008 – $28,133,000). 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 approximately $1,798,000 (2008 - $1,563,000) with maturity terms over
a year. The effective interest rates on these securities are 0% to 3.45% for 2009 (2008 – 1.79% to 4.20%).

(ii) Bonds

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

	Remaining term to maturity			2009		2008	
	Within 1 year	1 to 5 years	Over 5 years	Total carrying amount	Effective rates	Total carrying amount	Effective rates
Government	$2,534	$18,236	$525	$21,295	2.20% to 5.25%	$20,291	3.75% to 5.25%
Corporate	–	14,870	–	14,870	2.48% to 5.42%	10,130	3.75% to 5.42%
	$2,534	**$33,106**	**$525**	**$36,165**	**2.20% to 5.42%**	$30,421	3.75% to 5.42%

7. Administrative expenses

	2009	2008
Operating Fund:		
Salaries and benefits	$701	$671
Research and other consulting	205	107
Premises	123	126
Miscellaneous	35	76
Legal fees	67	73
Travel	57	56
Board of Directors' fees and expenses	53	54
Corporate secretary and accounting services	42	42
Furniture and equipment	25	34
Telephone and postage	30	35
Printing and supplies	31	23
Insurance	16	17
Bank charges	68	33
	$1,453	$1,347
Compensation Fund:		
Inter-fund investment expense	$67	$31

8. Assessment capacity

PACICC has the ability to make a maximum potential annual general assessment of members of 1.5% (2008 – 1.5%) of covered premiums written, which amounted to approximately $539,151,000 in 2009 (2008 – $511,000,000).

9. Lease commitments

In 2007, the Corporation renewed its lease for office premises for a period of five years ending December 31, 2012. The annual lease commitment is $58,284.

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.

11. Fair value disclosure

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

(b) The Corporation uses a fair value hierarchy to categorize the inputs used in valuation techniques to measure fair value. The extent of the Corporation's use of quoted market prices (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3) in the valuation of bond and equity investments, as well as derivatives were as follows:

	Total
Level 1	–
Level 2	$36,165
Level 3	–
Total	$36,165

12. Financial risk management

(a) Credit risk

Credit risk refers to the risk of financial loss from the failure of a counterparty to honour its obligation to the Corporation. The only assets exposed to this type of risk are the investments held in the Compensation Fund and the funds on deposit with a financial institution. In order to minimize the exposure of risk, a comprehensive investment policy has been developed.

Generally, the Corporation's investment policy is to be as conservative as possible so as to protect the capital against undue financial and market risk while having ready access to the funds and increasing the value of the funds. The investments will be a mix of high-quality fixed income securities and cash equivalent instruments. The funds cannot be invested in equities. The policy also includes composition limits, issuer type limits, quality limits, single issuer limits, corporate sector limits and time limits.

The breakdown of the total investment portfolio by the higher of the Standard and Poors' and Moody's credit ratings as at December 31 is:

	2009		2008	
Credit rating	Carrying value	Percentage of portfolio	Carrying value	Percentage of portfolio
AAA	$51,478	78.7%	$50,219	85.8%
AA	13,938	21.3%	8,335	14.2%
Total	$65,416	100.0%	$58,554	100.0%

(b) Interest rate risk

Interest rate risk is the potential for financial loss arising from changes in interest rates. Generally, the risk exposure for the Corporation is limited to the interest and dividend investment income which will be reduced during sustained periods of lower interest rates as higher yielding fixed income securities mature and the proceeds are reinvested at lower rates.

As at December 31, 2009, management estimates that an immediate hypothetical 1% move in interest rates, with all other variables held constant would impact the market value of bonds by approximately $911,367 (2008 – $696,640)

(c) Liquidity risk

Liquidity risk is the risk of having insufficient cash resources to meet financial commitments. Liquidity requirements for the Corporation are met primarily by two sources. Daily operational expenses are met by an annual assessment to members of the Corporation at the beginning of each year as approved by the Board of Directors.

In the event a member company becomes insolvent and it is necessary for the Corporation to make payments to insured policy holders, the Corporation could use funds available in the Compensation Fund. The Corporation also has the ability to make a maximum annual general assessment of its members of 1.5% of covered premiums written which amounted to approximately $539,151,000 in 2009 (2008 – $511,000,000).

2009/10 Board

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

Lea Algar
Chair,
General Insurance OmbudService

Diane Brickner
President,
Peace Hills General Insurance Company

Alister Campbell*
President and CEO,
Zurich Canada

Paul Kovacs
President and CEO,
PACICC

Earl McGill
Former Superintendent of Insurance for Manitoba (retired)

Kevin McNeil
President and CEO,
Gore Mutual Insurance Company

Lawrie Savage
President,
Lawrie Savage & Associates Inc.

Robin Spencer**
President and CEO,
Aviva Canada Inc.

Alain Thibault
Chairman, TD Insurance and *Executive Vice President,*
TD Bank Financial Group

David Woolley
President,
Atlantic Insurance Company Ltd.

* From March 10, 2010

** Until December 31, 2009

Board Committees

Audit

Earl McGill (Chair)
Lea Algar
Diane Brickner
George Cooke
Kevin McNeil

Governance and Human Resources

George Cooke (Chair)
Alister Campbell
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
Chief Economist

Tracy Waddington
Manager, Administration

Contract and part-time staff

John Connor
Manager, Claims

Randy Bundus
Vice President, Secretary and Counsel

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Provincial regulators

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Chief Executive Officer
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Fax: (604) 953-5301
www.fic.gov.bc.ca

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Province of Alberta Treasury
Department
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Phil Howell
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Chief Executive Officer
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Jean St-Gelais
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Chief Executive Officer
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Federal regulator

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Fax: (613) 993-6782
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PACICC member companies	Sociétés membres de la SIMA
ACE INA Insurance	Assurance ACE INA
Affiliated FM Insurance Company	Corporation d'Assurances Affiliated FM
Alberta Motor Association Insurance Company	Alberta Motor Association Insurance Company
Allianz Global Risks U.S. Insurance Company	Compagnie d'Assurance Allianz Risques Mondiaux É.-U.
Allstate Insurance Company	Allstate, Compagnie d'Assurance
Allstate Insurance Company of Canada	Allstate du Canada, Compagnie d'Assurance
Alpha, compagnie d'assurances Inc.	Alpha, Compagnie d'Assurances Inc. (L')
American Bankers Insurance Company of Florida	American Bankers Compagnie d'Assurance Générale de la Floride
American Road Insurance Company	Compagnie d'Assurance American Road
Antigonish Farmers Mutual Insurance Company	Antigonish Farmers Mutual Insurance Company
Arch Insurance Company	Compagnie d'assurance Arch
Ascentus Insurance Ltd.	Assurances Ascentus ltée (Les)
Aspen Insurance U.K. Ltd.	Compagnie d'assurance Aspen UK
Associated Electric & Gas Insurance Services	Services d'assurance associés électricité et gaz
Assurance Mutuelle des Fabriques de Montreal	Assurance Mutuelle des Fabriques de Montréal (L')
Assurance Mutuelle des Fabriques de Quebec	Assurance Mutuelle des Fabriques de Québec (L')
AssurePro Insurance Company Limited	AssurePro Insurance Company Limited
Atlantic Insurance Company Ltd.	Atlantic Insurance Company Limited
Avemco Insurance Company	Avemco Insurance Company
Aviation and General Insurance Company	Aviation and General Insurance Company
Aviva Insurance Company of Canada	Aviva, Compagnie d'Assurance du Canada
Aviva International Insurance Ltd.	Assurance International Aviva Ltée
AXA Assurances Agricoles Inc.	AXA Assurances Agricoles Inc.
AXA Assurances Inc.	AXA Assurances Inc.
AXA General Insurance	AXA Assurances générales
AXA Insurance (Canada)	AXA Assurances (Canada)
AXA Pacific Insurance Company	AXA Pacifique Compagnie d'Assurance
AXIS Reinsurance Company (Canadian Branch)	AXIS Compagnie de Réassurance (succursale canadienne)
BCAA Insurance Corporation	BCAA Insurance Corporation
Belair Insurance Company Inc.	Compagnie d'assurance Belair Inc. (La)
Berkley Insurance Company	Compagnie d'Assurance Berkley
Boiler Inspection and Insurance Company of Canada	Compagnie d'Inspection et d'Assurance Chaudières et Machinerie (La)
British Aviation Insurance Company Limited	Compagnie britannique d'assurance aérienne limitée (La)
British Columbia Life & Casualty Company	British Columbia Life & Casualty Company

CAA Insurance Company (Ontario)	CAA Insurance Company (Ontario)
Canadian Direct Insurance Inc.	Canadian Direct Insurance Inc.
Canadian Farm Insurance Corporation	Canadian Farm Insurance Corporation
Canadian Northern Shield Insurance Company	Bouclier du Nord Canadien, Compagnie d'assurance (Le)
Capitale, compagnie d'assurance générale	Capitale Assurances Générales Inc. (La)
Centennial Insurance Company	Centennial Compagnie d'Assurances
Certas Direct Insurance Company	Certas direct, compagnie d'assurances
Certas Home and Auto Insurance Company	Certas, compagnie d'assurances habitation et auto
Chartis Insurance Company of Canada	Compagnie d'Assurance Chartis du Canada
Cherokee Insurance Company	Cherokee Insurance Company
Chrysler Insurance Company	Compagnie d'Assurances Chrysler (La)
Chubb Insurance Company of Canada	Chubb du Canada Compagnie d'Assurance
Clare Mutual Insurance Company	Clare Mutual Insurance Company
Coachman Insurance Company	Coachman Insurance Company
Commonwealth Insurance Company	Compagnie d'assurances Commonwealth
Constitution Insurance Company of Canada	Constitution du Canada, Compagnie d'Assurance
Continental Casualty Company	Compagnie d'assurance Continental Casualty (La)
Co-operators General Insurance Company	Compagnie d'Assurance Générale Co-operators (La)
Coseco Insurance Company	Compagnie d'Assurance Coseco
CUMIS General Insurance Company	Compagnie d'Assurance Générale CUMIS (La)
Desjardins General Insurance Inc.	Desjardins Assurances Générales Inc.
Dominion of Canada General Insurance Company	Compagnie d'assurance générale Dominion du Canada
Eagle Star Insurance Company Ltd.	Compagnie d'Assurances Eagle Star Limitée
Ecclesiastical Insurance Office PLC	Société des Assurances Ecclésiastiques
Echelon General Insurance Company	Échelon, Compagnie d'Assurances Générales
Economical Mutual Insurance Company	Economical, Compagnie Mutuelle d'Assurance
Electric Insurance Company	Compagnie d'assurance Electric
Elite Insurance Company	Compagnie d'Assurances Élite (La)
Employers Insurance Company of Wausau	Compagnie d'Assurances des Employeurs de Wausau
Everest Insurance Company of Canada	Compagnie d'Assurance Everest du Canada (La)
Factory Mutual Insurance Company	Factory Mutual Insurance Company
FCT Insurance Company	FCT Insurance Company Limited
Federal Insurance Company	Compagnie d'assurances Fédérale
Federated Insurance Company of Canada	Federated, compagnie d'assurances du Canada (La)

PACICC member companies	Sociétés membres de la SIMA
Federation compagnie d'assurances du Canada	Fédération Compagnie d'Assurance du Canada (La)
Fenchurch General Insurance Company	Fenchurch Compagnie d'Assurance Générale
First North American Insurance Company	Nord-Américaine, Première Compagnie d'Assurance (La)
Fortress Insurance Company	Fortress Insurance Company
GCAN Insurance Company	GCAN Compagnie d'Assurances
General Reinsurance Corporation	General Reinsurance Corporation
Germania Mutual Insurance Company	Germania Mutual Insurance Company
Global Reinsurance Company	Global Reinsurance Company
GMS Insurance Inc. (Group Medical Services)	GMS Insurance Inc. (Group Medical Services)
Gold Circle Insurance Company	Cercle d'Or, Compagnie d'Assurance
Gore Mutual Insurance Company	Gore Mutual Insurance Company
Grain Insurance and Guarantee Company	Compagnie d'assurance et de garantie Grain (La)
Great American Insurance Company	Compagnie d'Assurance Great American
Great American Insurance Company of New York	Compagnie d'Assurance Great American de New York
Groupe Estrie-Richelieu, compagnie d'assurance	Groupe Estrie-Richelieu, Compagnie d'assurance (Le)
Groupe Ledor	Groupe Ledor
Guarantee Company of North America	Garantie, Compagnie d'Assurance de l'Amérique du Nord (La)
Hanover Insurance Company	Hanover Insurance Company
Hartford Fire Insurance Company Ltd.	Compagnie d'Assurance Incendie Hartford (La)
ICAROM Public Limited Company	ICAROM Public Limited Company
Industrielle Alliance, Assurance auto	Industrielle Alliance, Assurance auto et habitation inc.
Industrial Alliance Pacific General Insurance Corporation	Industrielle-Alliance Pacifique, Compagnie d'Assurances Générales
Innovassur, assurances générales Inc.	Innovassur, Assurances Générales Inc.
Insurance Company of Prince Edward Island	Insurance Company of Prince Edward Island
Insurance Corporation of British Columbia	Insurance Corporation of British Columbia
Intact Insurance Company	Intact Compagnie d'assurance
International Insurance Company of Hanover Limited	International Insurance Company of Hanover Limited
Jevco Insurance Company	Compagnie d'Assurances Jevco (La)
Jewelers Mutual Insurance Company	Jewelers Mutual Insurance Company
Kings Mutual Insurance Company	Kings Mutual Insurance Company (The)
Legacy General Insurance Company	Compagnie d'assurances générales Legacy
Liberty International Underwriters Canada	Liberty International Underwriters Canada

Lloyd's Canada	Lloyd's Canada
Lombard General Insurance Company of Canada	Compagnie canadienne d'assurances générales Lombard
Lombard Insurance Company	Compagnie d'assurance Lombard
Lumbermen's Mutual Casualty Company	Compagnie d'Assurance Lumbermen's Mutual Casualty (La)
Markel Insurance Company of Canada	Markel Compagnie d'Assurance du Canada
Max Canada Insurance Company	Max Canada Insurance Company
Mennonite Mutual Fire Insurance Company	Mennonite Mutual Fire Insurance Company
Mennonite Mutual Insurance Company (Alberta) Ltd.	Mennonite Mutual Insurance Company (Alberta) Ltd.
Metro General Insurance Corporation Ltd.	Metro General Insurance Corporation Ltd.
Millennium Insurance Corporation	Millennium Insurance Corporation
Missisquoi Insurance Company	Compagnie d'Assurance Missisquoi (La)
Mitsui Sumitomo Insurance Company Ltd.	Compagnie d'Assurance Mitsui Sumitomo Limitée
Motors Insurance Corporation	Compagnie d'Assurance Motors (La)
Munich Reinsurance America Inc.	Réassurance Munich Amérique, Inc.
Mutual Fire Insurance Company of British Columbia	Mutual Fire Insurance Company of British Columbia (The)
Mutuelle d'Eglise de l'Inter-Ouest	Mutuelle d'Église de l'Inter-Ouest (La)
National Liability & Fire Insurance Company	National Liability & Fire Insurance Company
NIPPONKOA Insurance Company Ltd.	NIPPONKOA Insurance Company Ltd.
Nordic Insurance Company of Canada	Nordique, Compagnie d'assurance du Canada (La)
North American Specialty Insurance Company	North American Specialty Insurance Company
North Waterloo Farmers Mutual Insurance Company	North Waterloo Farmers Mutual Insurance Company (The)
Novex Insurance Company	Novex Compagnie d'assurance
Old Republic Insurance Company of Canada	Ancienne République, Compagnie d'Assurance du Canada (L')
Omega General Insurance Corporation	Omega Compagnie d'Assurance générale
Optimum Assurance Agricole Inc.	Optimum Assurance Agricole Inc.
Optimum Société d'assurance Inc.	Optimum Société d'Assurance Inc.
Optimum West Insurance Company	Optimum West Insurance Company
PAFCO Insurance Company	PAFCO compagnie d'assurance
Peace Hills General Insurance Company	Peace Hills General Insurance Company
Pearl Assurance Public Limited Company	Pearl Assurance Public Limited Company
Pembridge Insurance Company	Pembridge, compagnie d'assurance
Personal Insurance Company	Personnelle, Compagnie d'Assurances (La)
Personnelle, assurances générales	Personnelle, assurances générales Inc. (La)
Perth Insurance Company	Perth, Compagnie d'Assurance

Pictou County Farmers' Mutual Fire Insurance Company	Pictou County Farmers' Mutual Fire Insurance Company
Pilot Insurance Company	Compagnie d'Assurance Pilot
Pool Insurance Company	Pool Insurance Company
Portage La Prairie Mutual Insurance Company	Portage La Prairie Mutual Insurance Company (The)
Primmum Insurance Company	Primmum compagnie d'assurance
Prince Edward Island Mutual Insurance Company	Prince Edward Island Mutual Insurance Company
Pro-Demnity Insurance Company	Pro-Demnity Insurance Company
Progressive Casualty Insurance Company	Progressive Casualty Insurance Company
Promutuel Gaspésie-Les Iles Société mutuelle d'assurance générale	Promutuel Gaspésie-Les Iles, Société mutuelle d'assurance générale
Promutuel Reassurance	Promutuel Réassurance
Promutuel des Riverains	Promutuel des Riverains, Société mutuelle d'assurance générale
Protective Insurance Company	Protectrice, société d'assurance (La)
Quebec Assurance Company	Compagnie d'Assurance du Québec
RBC General Insurance Company	Compagnie d'assurance générale RBC
RBC Travel Insurance Company	Compagnie d'assurance voyage RBC
RCA Indemnity Corporation	RCA Indemnity Corporation
Red River Valley Mutual Insurance Company	Red River Valley Mutual Insurance Company
Royal & SunAlliance Insurance Company of Canada	Royal & Sun Alliance du Canada, société d'assurances
S & Y Insurance Company	S & Y Compagnie d'Assurance
Safety National Casualty Corporation	Safety National Casualty Corporation
Saskatchewan Mutual Insurance Company	Saskatchewan Mutual Insurance Company
Scotia General Insurance Company	Scotia Générale, compagnie d'assurance
Scottish & York Insurance Company Ltd.	Compagnie d'assurance Scottish & York Limitée
Seaton Insurance Company	Seaton Insurance Company
Securican General Insurance	Compagnie d'assurance générale SecuriCan
Security Insurance Company of Hartford	Compagnie d'Assurance Sécurité de Hartford
Security National Insurance Company	Sécurité Nationale Compagnie d'Assurance
Sentry Insurance, A Mutual Company	Sentry Insurance
SGI Canada	SGI Canada
SGI Canada Insurance Services Ltd.	SGI Canada Insurance Services Ltd.
Sompo Japan Insurance Inc.	Assurances Sompo du Japon Inc.
Sovereign General Insurance Company	Souveraine, Compagnie d'Assurance Générale (La)
SSQ, Societe d'assurances générales Inc.	SSQ, Société d'Assurances Générales Inc.
State Farm Fire and Casualty Company	State Farm Fire and Casualty Company
State Farm Mutual Automobile	State Farm Mutual Automobile

Insurance Company	Insurance Company
St. Paul Fire & Marine Insurance Company	Compagnie d'Assurance Saint Paul (La)
Sunderland Marine Mutual Insurance Company	Société d'assurance mutuelle maritime Sunderland Limitée
T.H.E. Insurance Company Ltd.	T.H.E. Insurance Company
TD Direct Insurance Company	TD assurance directe inc.
TD General Insurance Company	Compagnie d'Assurances Générales TD
TD Home and Auto Insurance Company	Compagnie d'assurance habitation et auto TD
Temple Insurance Company	Compagnie d'assurance Temple (La)
TIG Insurance Company	Société d'Assurance TIG
Tokio Marine & Nichido Fire Insurance Company	Tokio Maritime & Nichido Incendie Compagnie d'Assurances Ltée
Traders General Insurance Company	Compagnie d'Assurance Traders Générale
Trafalgar Insurance Company of Canada	Compagnie d'assurance Trafalgar du Canada
Trans Global Insurance Company	Compagnie d'assurances Trans Globale
Travelers Guarantee Company of Canada	Compagnie Travelers Garantie du Canada (La)
Trisura Guarantee Insurance Company	Compagnie d'assurance Trisura Garantie
Triton Insurance Company	Compagnie d'assurance Triton
TTC Insurance Company Limited	TTC Insurance Company Limited
Unifund Assurance Company	Unifund, Compagnie d'Assurance
Union Canadienne, compagnie d'assurances	Union Canadienne, compagnie d'assurances (L')
Unique, compagnie d'assurances générales	Unique Assurances Générales Inc. (L')
United General Insurance Corporation	United General Insurance Corporation
Utica Mutual Insurance Company	Compagnie d'Assurance Mutuelle Utica
Virginia Surety Company Inc.	Virginia Surety Company Inc.
Waterloo Insurance Company	Waterloo, Compagnie d'Assurance
Wawanesa Mutual Insurance Company	Compagnie Mutuelle d'Assurance Wawanesa (La)
Western Assurance Company	Western Assurance Company
Westland Insurance Company	Westland Insurance Company
Westport Insurance Corporation	Société d'assurance Westport
XL Insurance Company Ltd.	Compagnie d'assurance XL Limitée
XL Reinsurance America Inc.	Réassurance XL Amérique
York Fire and Casualty Insurance Company	York Fire and Casualty Insurance Company
Zenith Insurance Company	Compagnie d'Assurance Zénith
Zurich Insurance Company	Zurich Compagnie d'Assurances SA