PACICC

Property and Casualty Insurance
Compensation Corporation

Annual Report 2010

Insolvency protection for home, automobile and business insurance customers



PACICC Mission

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.

PACICC 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 2010

- Enhancing PACICC's response capabilities to potential extraordinary insolvency events – first, by establishing the option of an industry liquidity facility; and second, by developing a claims-management contingency plan.
- Working to enhance provincial solvency supervision by establishing a Model Protocol setting out the role PACICC can play to support future insolvencies, and by updating PACICC's Model Wind-Up Order.
- Providing input to OSFI's new Guideline B-3 on "Sound Reinsurance Practices and Procedures," the final draft of which reflected PACICC's call for an effective insolvency wording in all reinsurance contracts.
- Publishing "Lessons learned from the failure of Advocate General Insurance Company" as part of PACICC's *Why insurers fail* series and distributing findings to members and other stakeholders.

Contents

Property and casualty insurance is a remarkably dynamic and resilient industry, working to serve the risk management needs of Canadians. Dynamic in the sense that the industry is constantly adapting to meet the changing risk management needs of Canadians. And resilient in that the industry has been successfully providing insurance protection to Canadians for more than 200 years.

The needs of property owners, for example, are much different than they were 30 years ago. The risk of fire damage to property is now less than one-third the peak rate recorded in 1982. The risk of property theft is currently only 40 percent of the peak rate recorded in 1992. In contrast, water and wind damage claims paid by insurers, when adjusted for the impact of inflation, are presently almost five times greater than in 1980.

Remarkable change also is evident in the auto insurance industry. The frequency of collisions per kilometers driven is less than one-third the rate experienced in the early 1980s, so there has been a significant reduction in the frequency of vehicle repair claims. More perplexing has been the alarming increase in bodily injury claims paid in Ontario, Alberta and Atlantic Canada – when the risk of injury in a vehicle collision is presently less than one-third of the rate recorded in 1981.

... water and wind damage claims paid by insurers, when adjusted for the impact of inflation, are presently almost five times greater than in 1980.

Liability and other insurance coverages have also adapted to serve the changing needs of Canadians. Overall, the insurance industry grew by 60 percent in the 1940s and 1950s – when measured as a share of total economic activity – and experienced a further 50 percent expansion over the past decade. This is additional evidence that Canadians are increasingly turning to insurance to provide the protection and peace of mind they seek. Insurance is an essential and growing service.

One of these risks is the possibility that an insurance company fails. Since 1980, 285 new companies secured licenses to enter the P&C insurance industry in Canada, while 283 companies exited the market. Most of these changes were voluntary. But a few companies, 32 in fact, were closed by Canada's insurance regulators because they were insolvent. More than 20 years ago, the insurance industry established PACICC to be the consumer protection fund for Canadians in the unlikely event that an insurance company fails.

Fortunately, no companies were closed by Canada's insurance regulators last year. Nonetheless, PACICC is ready to protect the interests of insurance consumers when the next failure does occur.

Over the past year, PACICC worked to improve its preparedness for future member insolvencies by enhancing the capacity of provincial insurance regulators to manage insurance failures. While provincially-supervised companies account for only 16 percent of the private insurance sold in Canada, they have accounted for 90 percent of the PACICC member insurers that failed over the past 20 years.

The Board has now established the concept of a liquidity facility as a potential tool to support PACICC's financial capacity... and a strategy to ensure sufficient operational capacity to manage a surge in claims.

PACICC has developed an insolvency protocol that will be a resource for supervisors and a template for coordination in the event of a liquidation. PACICC also has updated its Model Winding-Up Order and communications materials. In addition, we initiated a review of the oversight and regulation that is applied to reserving practices in the industry. Inadequate reserving is the leading cause of insurer failure.

Last year the Corporation also reviewed the tools in place if PACICC needs to respond to the failure of a large member insurer. The Board has now established the concept of a liquidity facility as a potential tool to support PACICC's financial capacity. PACICC also established a strategy to ensure sufficient operational capacity to manage a surge in claims.

Looking ahead to 2011, PACICC plans to refund approximately $5 million in final liquidation dividends to member companies who funded the shortfall in the estates of Advocate General and Maplex. For the coming year, this means that PACICC will return to the industry an amount more than three times greater than its annual operating costs. In the message that follows, PACICC President and CEO Paul Kovacs reports on the Corporation's strategic plans and priorities for the period 2011 to 2013.

I believe that PACICC is well-prepared to respond to the changing needs of insurance consumers. This includes having a strong Board of Directors – with Alister Campbell of Zurich Insurance expected to assume the role of Chair – and an experienced professional staff that has consistently demonstrated its capacity to protect consumers.

PACICC's new strategic plan focuses on three key priorities. In 2011, we will participate in the scheduled five-year review of the Federal financial-sector legislation. PACICC's work in 2012 will centre on ERM. And in 2013, PACICC will seek to promote best practices in loss reserving.

Financial sector review

PACICC's primary focus in 2011 will be on the scheduled five-year review of the Federal financial-sector legislation. PACICC has made a formal submission for the Federal Department of Finance proposing specific reforms to the *Winding-Up and Restructuring Act* to facilitate more streamlined and less expensive liquidations. Our submission assesses the financial impact of proposed WURA reforms on P&C insurance company liquidations. PACICC has also submitted recommendations to Federal Finance identifying changes to the current legislative framework that would facilitate the winding-up of a financial conglomerate. This was recently noted by the G-20 as a high priority for policymakers. We also expect to hold expert seminars on topics relevant to the financial-sector legislative review, including financial sector stability.

PACICC is working closely with OSFI, the Reinsurance Research Council and other stakeholders to develop an appropriate insolvency wording as an industry standard for reinsurance contracts.

PACICC continues to participate actively on OSFI's MCT Advisory Committee reviewing capital standards. In addition, we will be monitoring the implementation of OSFI Guideline B-3 (Sound Reinsurance Practices and Procedures). In connection with the new Guideline, PACICC is working closely with OSFI, the Reinsurance Research Council and other stakeholders to develop an appropriate insolvency wording as an industry standard for reinsurance contracts.

Promoting sound risk management

In 2012, PACICC will pursue a work plan aimed at enhancing enterprise risk management practices in Canada's P&C insurance industry. A survey of member companies designed to help benchmark the current state of ERM practices will lay the foundation for subsequent work. The survey is being developed with input from leading Chief Risk Officers in the industry. PACICC expects to issue a report to members and other stakeholders, including insurance supervisors, on the survey findings. PACICC's goal in pursuing this work is to encourage its member companies to implement ERM practices that are appropriate to their risk profile, identifying all reasonably foreseeable and relevant material risks. This would include risks relating to underwriting, market, credit, operations and liquidity. With a special focus on small and medium-size insurance companies, PACICC members will be encouraged to incorporate ERM in their corporate planning activities as an effective way to manage their aggregate risk (not just specific risks).

PACICC members will be encouraged to incorporate ERM in their corporate planning activities as an effective way to manage their aggregate risk.

PACICC will also emphasize the critical linkage between sound corporate governance and an effective risk management framework. In practice, this means that an insurer's Board and senior management should be substantively involved in establishing, leading and overseeing the company's ERM framework. Provinces that supervise insurer solvency will be encouraged to adopt guidance and practices similar to OSFI in stress testing, internal capital targets and reinsurance risk management practices.

Supporting best practices in loss reserving

In 2013, PACICC will examine how actuarial professional practices and supervisory practices could be better supported in valuing the risks faced by member insurers. We will explore working with the Canadian Institute of Actuaries and with insurance supervisors on this initiative. We will support research on reserving practices and policy. This work could include analysis of how peer review has influenced reserving practices since it was introduced; of catastrophe loss development in Canada; and the implications of the growing use of predictive modeling for competitive behaviour and solvency, particularly in view of the significant number of insurance companies exiting the U.S. market after its introduction there. In addition, PACICC will seek to enhance industry education relating to loss reserving issues, and to support modernization of actuarial best practices in provinces where the insurance legislation does not explicitly recognize the solvency mandate of provincial supervisors. The unique challenges and risks faced by new insurance companies will be considered as part of this work.

In closing, I want to take this opportunity to thank the members of the Board of Directors for their guidance over the past year, and our professional staff for their continuing high-quality work. We expect the business environment for P&C insurers in Canada to remain challenging over the next several years. In response to those challenges, PACICC will continue to enhance its ability to protect policyholders in the event of a member insolvency, while working to minimize insolvency costs and helping to maintain high levels of confidence in our industry. I am pleased to report that we are well-positioned for continued success.

While 18 P&C insurers failed in the United States and Europe, no Canadian P&C insurers were ordered into wind-up during 2010.

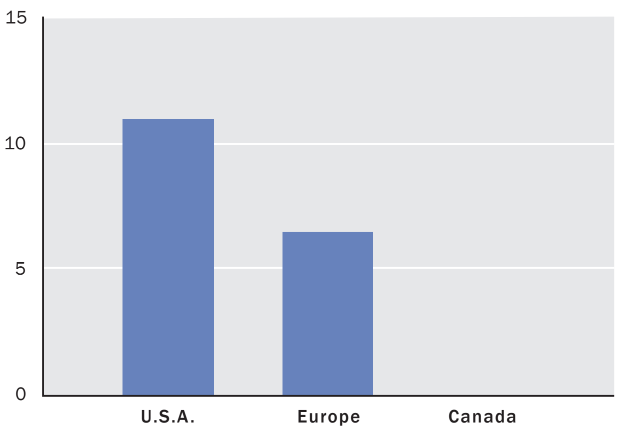
Industry results improved in 2010 as price adjustments begun toward the end of 2009 began to work through the system. However, despite finding better financial footing, the industry's business environment in 2010 was quite turbulent. Storms and hurricanes affected all parts of the country and Ontario's auto insurance accident benefits coverage continued to have unsustainably high loss ratios. Regulatory reforms enacted in 2010 will impact on the industry's operating environment in 2011.

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. Since PACICC was established 20 years ago, it has participated in the liquidation of a dozen P&C insurance companies with cumulative assets of $720 million at the time of wind-up. And PACICC has provided $168 million in financial support for policy-holder claims payments for those estates.

P&C insurance insolvency (2010)

Number of insurers



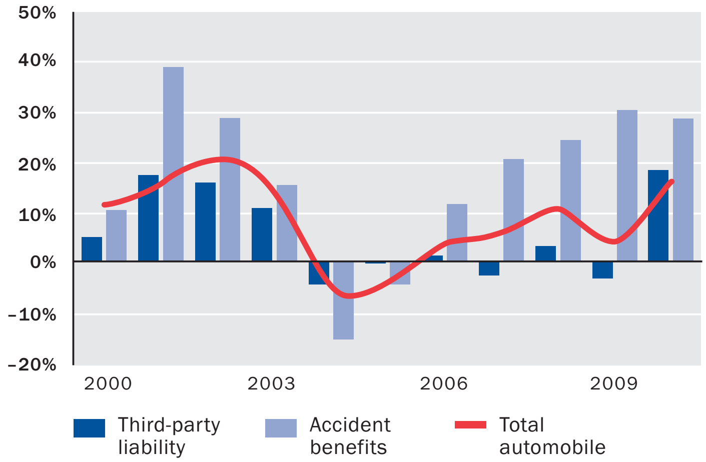
Source : PACICC, with data from solvency supervisors and EU winding-up proceedings publications

Overall, industry underwriting profitability during 2010 saw improved loss ratios in many lines of business as growth in premiums exceeded the growth in claims costs. This improvement in underwriting performance in the industry was welcome after underwriting losses during 2008 and 2009. Together with improvements in investment income, industry profitability saw improvement over the prior year.

In the key auto insurance segment, which represents nearly half of the industry by premium volume, there were a number of developments in Ontario, Alberta, Nova Scotia and New Brunswick. In aggregate, automobile insurance premium growth in 2010 was outpaced by continued growth in claims costs. Despite not keeping pace with claims costs, auto insurance premiums had strong growth as rate increases introduced in late 2009 took effect. The net increase in premiums earned during 2010 remained less than half the increase in claims costs over the year.

However, the claims experience in the accident benefits component of the auto insurance product – specifically the Ontario auto insurance product – has continued to be poor through 2010. While still very high, the growth rate in claims costs was similar to that of 2009. Accident benefit claims costs were accelerating through the first half of 2010 but showed evidence of slowing in the latter part of the year, suggesting that the Ontario auto insurance reforms may have begun to have some impact.

Trends in automobile insurance claim costs



Source : PACICC, with data from OSFI

In Alberta, on July 29, 2010, the Alberta Automobile Insurance Rate Board mandated a 5 percent decrease in premiums for mandatory automobile insurance coverages. This is consistent with the estimated low scenario for bodily injury claims frequency and an assumed higher future return on investment. The rate adjustment was to be effective November 1. In late November, the Nova Scotia government announced a review of the province's automobile insurance system.

In the property lines, premium growth exceeded growth in claims costs. In the volatile commercial liability lines, claims costs outpaced premium growth.

Climate risks and weather-related claims

For the first time on record, the property and casualty insurance industry experienced consecutive billion dollar catastrophe loss years. During 2010, the industry experienced estimated catastrophe losses of $1.2 billion.

During 2010, the catastrophe events were typically smaller events, often falling below reinsurance thresholds. As a result, many of the events had a direct impact on the primary insurance company. Storm losses occurred in most regions of the country, including Atlantic Canada, Ontario, Saskatchewan and Alberta.

Two hurricanes struck Atlantic Canada during the fall of 2010. Hurricane Igor lashed Newfoundland and Labrador and generated an estimated $165 million in insured and uninsured losses in the province. Hurricane Earl affected both Nova Scotia and Prince Edward Island. However, while large numbers of households were left without power, there were relatively few insurance losses.

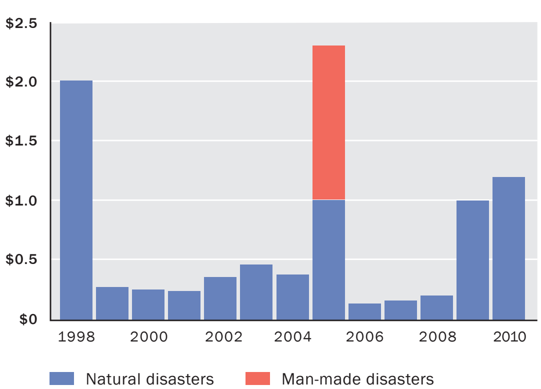
Alberta experienced a large summer storm event that caused basement flooding, sewer back-up and damage from large hail stones. In total, estimated losses were in the neighbourhood of $0.5 billion. Saskatchewan saw a number of similar storms generating significant catastrophe losses for crop, hail and property insurers.

Ontario saw tornado damage in southwestern region of the province. In addition, losses were recorded following an earthquake near Ottawa. The earthquake's epicentre was northeast of Ottawa and Natural Resources Canada estimates that it was likely the strongest earthquake experienced in the past 200 years by the region. While some damage occurred near the epicentre, the estimated shaking from the recorded ground motions for Ottawa were well below the design level of shaking used in the 2005 National Building Code of Canada.

A $1 billion loss year has occurred four times since 1997 but did not occur once prior to that. The past year was one of those $1 billion catastrophe loss years. In recognition of the growing importance of catastrophe losses to the industry, the Institute for Catastrophic Loss Reduction (ICLR) and the Insurance Bureau of Canada (IBC), through partnership with MSA Research, supported the establishment of PCS Canada, a data aggregation service for catastrophe-related insured losses. Going forward, insurers should have the data necessary to better manage disaster-related risks.

Historical insurance catastrophe losses

$ billions



Source: PACICC, with data from IBC and AonBenfield

The disaster losses of 2010 highlight the impact of risk management for catastrophe-related risks for the industry as the nature of claims costs in property coverages is changing and property insurance as weather-related (water and wind) claims costs have grown as a proportion of total property claims. While reinsurance moderated the effect of the more severe catastrophe events on insurers and claimants, premium increases in property insurance moderated the solvency impact of those events that fell below reinsurance trigger points. The highly dynamic nature of risk from catastrophes, and ultimately insolvency, highlights the strength of the industry in adapting to the changing environment of weather-related losses, using both pricing and reinsurance strategies to manage the risk and to continue to pay claims to Canadian policyholders.

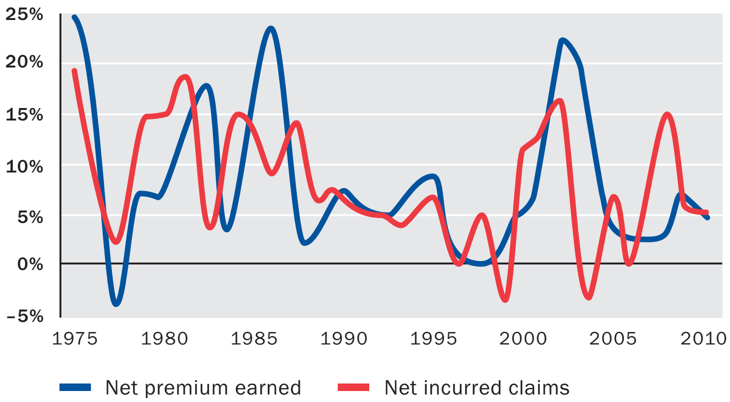
Regulatory environment

During 2010, several provinces introduced auto insurance product reforms that will have longer-term implications for claim cost trends in the industry. In Ontario, the government followed up on its five-year review of automobile insurance to introduce changes to the province's auto insurance product. The changes include a new package of statutory accident benefits for those injured in auto accidents. This new package offered by all insurers will lower the amount of coverage that consumers must purchase to $50,000 for medical and rehabilitation expenses and to $36,000 for attendant care expenses for non-catastrophic injuries. Drivers could opt for this lower-cost coverage, or increase it to the level of medical, rehabilitation and attendant care insurance they need. To implement these and several other consumer protection measures, a total of 24 regulatory bulletins were issued.

In Nova Scotia, the province increased the cap on minor injury awards, harmonized its definition of minor injury with Alberta, and announced a broader automobile insurance review. In November, the government of New Brunswick announced that it will also review its cap on minor injury awards and the definition of soft tissue injury.

In 2011, member insurers will move to International Financial Reporting Standards (IFRS). In October 2009, OSFI issued a draft advisory outlining the regulator's expectations and requirements for the implementation. While not all of the Standards are complete (insurance contracts, for example), IFRS will have important implications for insurer balance sheets and financial metrics. As a result, OSFI and those provinces using the minimum capital test (MCT) framework introduced changes effective for implementation in 2011. These changes reflect the accounting and capital policy positions with respect to IFRS and also introduce a number of other changes to the test. The Branch Adequacy of Assets Test (BAAT) introduced similar changes.

P&C insurance claims and premium growth



Source: PACICC, with data from MSA Research

OSFI also launched a consultation paper in December 2010 for other substantial changes to the MCT/BAAT tests. The proposed changes to the MCT/BAAT guidelines are motivated by a desire to ensure that the guidelines continue to accurately reflect the risks in the P&C insurance industry. The proposed changes involve the removal of some capital charges that are in effect capital on capital; modifications to asset factors to add granularity by rating class and duration; and introducing margins for risks, such as interest rate risk, not currently in the tests. It is expected that any changes to the MCT/BAAT will be effective for January 2012.

During 2010, OSFI announced changes to the supervisory approach to reinsurance. The changes will remove the previous 75 percent fronting limit and 25 percent limit on unregistered reinsurance. It will also require insurers to adopt a reinsurance risk management policy. Following industry consultation, OSFI Guideline B-3 – Sound Reinsurance Practices and Procedures – was issued in December 2010. All federally-regulated insurers must address the principles contained within the guideline by July 1, 2011, and demonstrate full compliance by July 1, 2012. A key objective set out by Guideline B-3 is to ensure that reinsurance contracts avoid "terms or conditions that may limit a troubled or insolvent cedant's ability to enforce the contractual obligations of a reinsurer, or that may adversely affect the treatment of any claims in respect of the cedant's policyholders." The guideline further notes that "particular attention should be paid to 'insolvency clauses', 'off-set' or 'cut-through clauses', 'funds withheld arrangements', and other such types of terms and conditions."

Greater attention will be required to these insolvency-related wordings as they may affect whether an insurer can claim capital credit for its reinsurance.

In PACICC's experience with insurance company liquidations over more than two decades, uncertainties have frequently arisen with respect to the recovery of reinsurance receivables post-insolvency. Reinsurance is typically the largest asset in the estate of an insolvent insurance company, so reducing uncertainty regarding payment obligations is essential to the goal of protecting policyholders when an insurer fails.

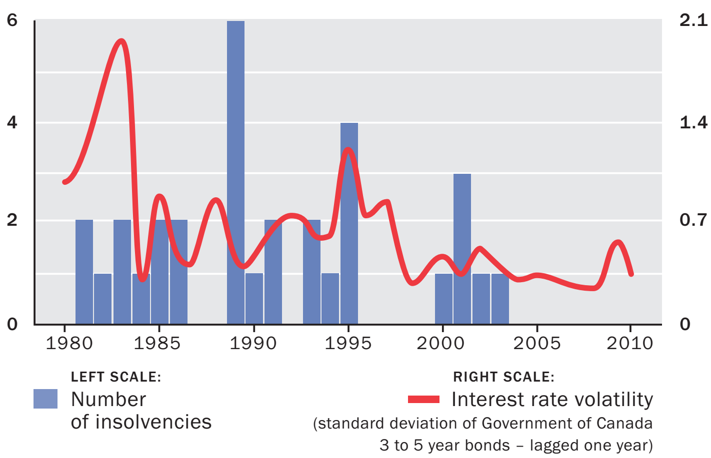
Because current reinsurance practices vary with respect to insolvency wordings and related conditions, PACICC has commissioned research to support the development of an effective insolvency wording for use in Canadian reinsurance contracts that complies fully with the new requirements of OSFI Guideline B-3. The research has been conducted by David Wilmot – a former reinsurance company CEO and acknowledged expert on reinsurance wordings.

To support member insurers, PACICC has developed an insolvency wording to comply with OSFI's new guideline. PACICC's research also addresses other insolvency-related policy wordings for insurers to consider as they establish their reinsurance risk management policies.

Risks on the horizon

Risks related to underwriting are the main cause of past insolvencies in the P&C insurance industry. 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 2010 claims growth exceeded capital growth but the gap closed, largely as a result in progress in closing the gap between the growth in claims costs and premiums. The success of the Ontario auto reforms and the impact of rate regulators ensuring that price changes reflect trends in claims costs will be important for the management of underwriting risk.

Interest rate volatility

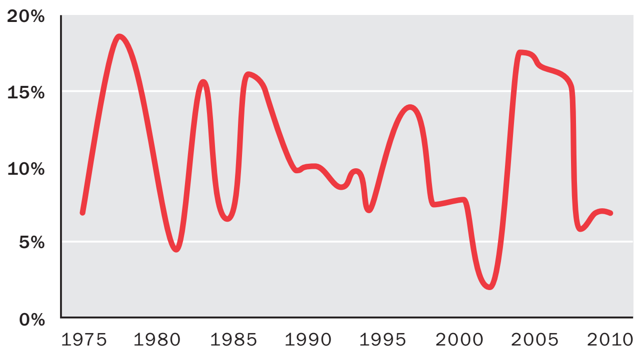


Source: PACICC, with data from MSA Research

With some recent increases in interest rates and the general expectation that rates will rise in the coming years, interest rate risk has come more into focus. Interest rate risk arises due to the volatility and uncertainty of future interest rates. Interest rate changes are generally gradual. Bond portfolios turn over steadily and an increase in market interest rates is usually accompanied by an increase in the book valuation rate for assets, which lowers interest rate risk. Interest rate risk is more likely to be significant where there is increased rate volatility, and historically the involuntary exit rate for insurers is at least partially correlated with volatility in interest rates. In the rate-regulated auto insurance product, interest rate risk also plays an important part of the pricing process. Generally underrated, interest rate risk appears to have been a contributing factor in approximately 40 percent of P&C insurer failures in the United States – and many in Canada.

Canadian P&C insurance cycle

Return on equity



Source: PACICC, with data from MSA Research

The sovereign debt concerns of some countries, and the exposure that some foreign insurers with Canadian operations have with sovereign debt, is also a risk on the horizon. In general, Canadian based insurers invest in Canadian government securities and have little direct exposure to troubled sovereign debt. However, the heightened incidence of P&C insolvency in Europe and the United States over 2009 is a potential source of risk if a parent of a Canadian operation were to enter into distress.

Looking forward

From a solvency perspective, the outlook for the P&C insurance industry for 2011 has improved, but is nevertheless subject to greater uncertainty than the healthy improvement in performance recorded between 2003 and 2009. While industry results have improved and preliminary indications from reforms to the auto product in Ontario are encouraging, it is too early to ascertain the ultimate impact. Similarly, the outcome of pending reviews to the auto product in other provinces adds some uncertainty at the margin. In addition to product changes the industry must manage significant accounting, capital and reinsurance changes. The operational risk in managing all of these changes during 2011 for member insurers is heightened.

Overall however, the industry is entering the point in the insurance cycle where history signals a reduced risk of insolvency and financial distress. The number of PACICC member insurers reporting underwriting losses has decreased modestly, although it is still elevated relative to the 2003-2008 period. While there are important differences in degree of exposure to various risks, industry aggregate measures show that Canada's P&C insurers are in a position of capital strength.

PACICC developed its Enterprise Risk Management (ERM) policy in 2007, overseen by the Corporation's Board of Directors and its Audit Committee. This report highlights two aspects of PACICC's ERM work: first, an assessment of our risk environment including trends in the major categories of risk; and second, our progress in mitigating individual risks over the past three years.

Overall, PACICC's current risk environment shows moderate improvement. For the period 2010-11, we view the trends for regulatory and reputation risks as stable, while the trends for financial and operational risks are decreasing. Certain regulatory risks remain challenging for PACICC to mitigate – such as the potential adverse impacts of rate regulation on insurer solvency. Nonetheless, current and future mitigation work being undertaken by PACICC – for example, proposed modernization of the *Winding-Up and Restructuring Act*, seeking to broaden the use of effective ERM practices in the P&C industry, and support for best practices in claims reserving – could help to reduce regulatory risks. (See the accompanying table for more information).

The accompanying chart illustrates the improvement recorded over the period 2007 to 2010 in ratings for 16 of 33 PACICC risks. Improvement was usually reflected in a lower impact rating or in a lower likelihood of the risk occurring. In the case of two risks, a reduction was achieved in both impact and likelihood ratings.

For some PACICC risks, improvement resulted from a more favourable economic environment. For several other risks, improvement resulted from specific risk-mitigation actions undertaken by PACICC. These actions include:

- Board approval for PACICC to establish the option of an industry liquidity facility in response to extraordinary insolvency events
- Developing a claims-management contingency plan to respond to extraordinary insolvency events
- Implementing a *Code of Ethics and Business Conduct* applying to PACICC directors and employees
- Improving the Corporation's investment policy through better controls on credit quality, permitted investments and limits
- Developing a crisis-management communications plan
- Developing a management succession plan.

Improving PACICC's ability to respond to extraordinary insolvencies is particularly important, as such events rate among the Corporation's highest risks.

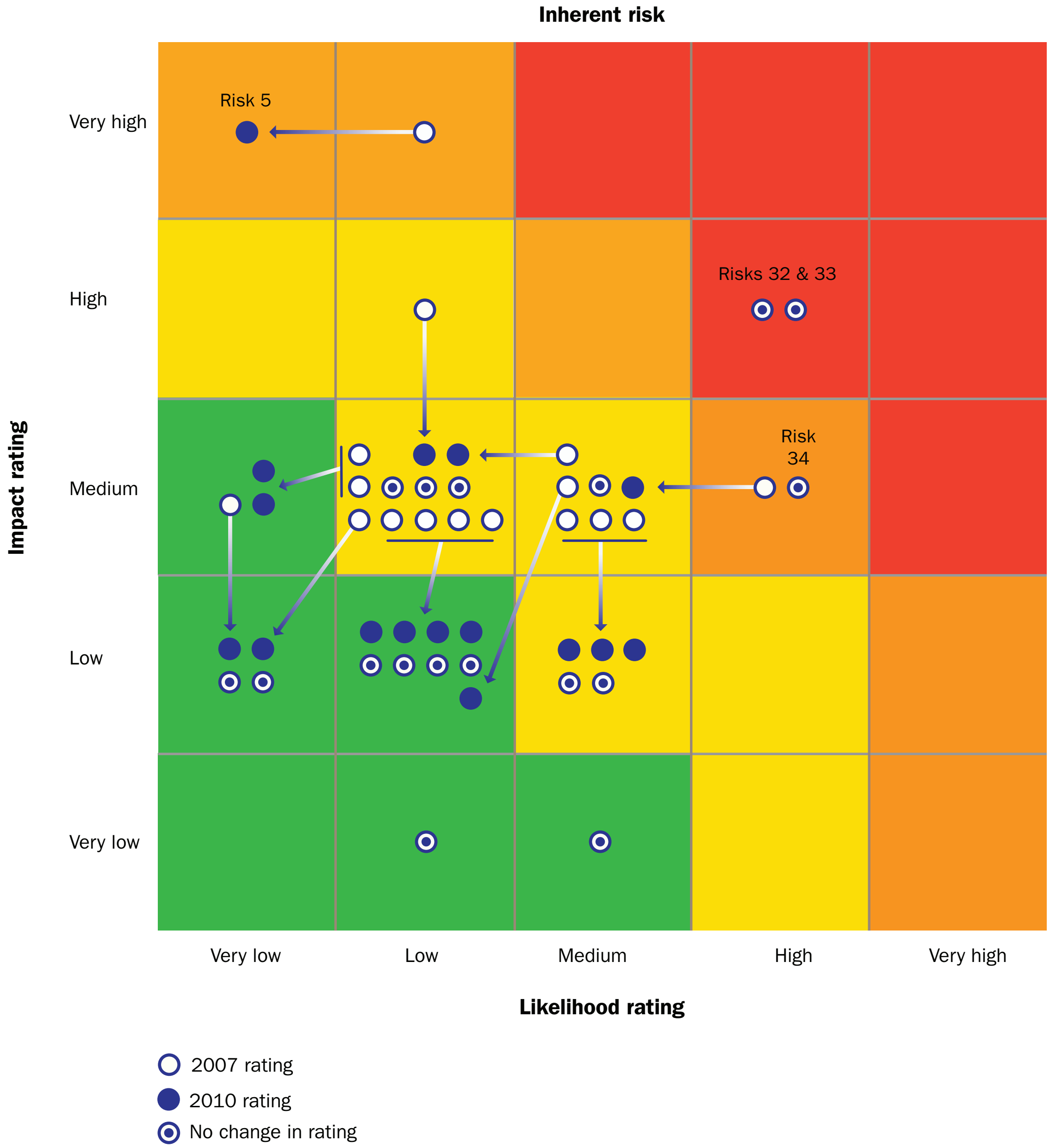
PACICC's ERM policy calls for the Audit Committee to review the Corporation's risk inventory and risk ratings two times per year, and for the full Board annually to review and approve an ERM Plan.

Overview of PACICC risk environment

Risk category and description	Number of risks	Risk trend in 2010-11	Comments on risk mitigation
Regulatory risks The risk that insurance regulatory practices in Canada could constrain a timely and effective response by PACICC to a member company failure, or increase the cost of responding	7 individual risks; 3 priority risks	Stable	▸ The potential impacts of rate regulation on insurer solvency remain challenging for PACICC to mitigate (Risk 32 in chart). ▸ Several of PACICC's risk-mitigation initiatives are aimed at improving the quality of provincial solvency supervision (relative to IAIS standards) over the medium term (Risk 33 in chart). ▸ PACICC is seeking modernization of the *Winding-Up and Restructuring Act* consistent with the Federal Government's review of financial sector legislation in 2011 (Risk 34 in chart).
Financial risks The risk that external financial developments, or PACICC's management of its assets and liabilities, could impair a timely and effective response to a member company failure	7 individual risks; 1 priority risk	Decreasing	▸ Board approval to establish the option of an industry liquidity facility reduces the risk of PACICC having insufficient financial capacity to respond to an extraordinary insolvency event (Risk 5 in chart).
Operational risks The risk that PACICC's operations could be disrupted or strained, either by procedural problems, or by a lack of qualified personnel able to respond to a member company failure	8 individual risks	Decreasing	▸ Board approval of a claims-management contingency plan reduces the risk of PACICC having insufficient human resources to respond to an upsurge in claims.
Reputation risks The risk that an event could adversely affect stakeholder views of PACICC, potentially resulting in a loss of trust and confidence in the Corporation	11 individual risks	Stable	▸ Development of a crisis-management communications plan provides a framework for effective response by PACICC to potential negative events. Most of PACICC's other reputation risks are being managed through regular controls and procedures.

PACICC Enterprise Risks

Change in risk ratings from 2007 to 2010



KPMG

KPMG LLP
Chartered Accountants
333 Bay Street, Bay Adelaide Centre
Suite 4600
Toronto, Ontario M5H 2S5

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

INDEPENDENT AUDITORS' REPORT

To the Members of the Property and Casualty Insurance Compensation Corporation

We have audited the accompanying statement of operations and changes in fund balances and financial position (the "financial statement") of Property and Casualty Insurance Compensation Corporation for the year then ended and as at December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statement
Management is responsible for the preparation and fair presentation of this financial statement in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statement presents fairly, in all material respects, the results of the operations and cash flows of Property and Casualty Insurance Compensation Corporation for the year then ended, and its financial position as at December 31, 2010 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

March 10, 2011
Toronto, Canada

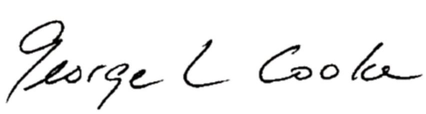
Year ended and as at December 31, 2010, with comparative figures for 2009
(In thousands of dollars)

	2010				2009			
	Operating Fund	Compensation Fund	Liquidation Funds	Total	Operating Fund	Compensation Fund	Liquidation Funds	Total
			(note 4)					
Fund balances, beginning of year	$1,650	$44,600	$16,123	$62,373	$1,703	$42,950	$9,925	$54,578
Member assessments	1,190	–	–	1,190	1,176	–	–	1,176
Investment income	12	1,615	131	1,758	7	1,581	86	1,674
Funding from liquidations and other	215	–	–	215	217	–	–	217
Liquidation dividends	–	–	845	845	–	–	6,349	6,349
Increase (decrease) in unrealized gains on available-for-sale assets	–	(404)	–	(404)	–	69	–	69
	3,067	45,811	17,099	65,977	3,103	44,600	16,360	64,063
Claims and expenses	–	–	(119)	(119)	–	–	237	237
Administrative expenses (note 7)	1,508	–	–	1,508	1,453	–	–	1,453
Fund balances, end of year	**$1,559**	**$45,811**	**$17,218**	**$64,588**	$1,650	$44,600	$16,123	$62,373
Fund balances, represented by:								
Cash and term deposits (note 6)	$563	$8,812	$19,869	$29,244	$383	$8,151	$20,717	$29,251
Bonds (note 6)	–	36,771	–	36,771	–	36,165	–	36,165
Accrued interest	1	228	17	246	–	284	4	288
Interfund receivable (payable)	1,038	–	(1,038)	–	1,342	–	(1,342)	–
Other receivables	134	–	10	144	100	–	–	100
	1,736	45,811	18,858	66,405	1,825	44,600	19,379	65,804
Accounts payable	177	–	1,086	1,263	175	–	2,817	2,992
Refund payable to members (note 5)	–	–	554	554	–	–	439	439
Fund balances, end of year	**$1,559**	**$45,811**	**$17,218**	**$64,588**	$1,650	$44,600	$16,123	$62,373

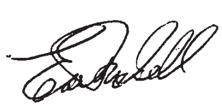
Lease commitments (note 9)
Contingent liabilities (note 10)

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

On behalf of the Board:



George Cooke, *Board Chair*



Earl McGill, *Director*

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")
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 cost. Interest income is recorded on an 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 include 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, 2010, 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) Future changes in accounting policies:

International Financial Reporting Standards

The Corporation has a choice for reporting future results. Canadian publicly accountable enterprises will be required to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), for reporting periods beginning on or after January 1, 2011, or Public Sector Accounting for Not-for-Profit organizations in accordance with Canadian Accounting Standards Board, effective January 1, 2012.

Effective January 1, 2011, the Corporation will adopt IFRS as the basis for preparing its financial statements. The Corporation will report its financial results for the year ended December 31, 2011 prepared on an IFRS basis. The Corporation will also provide comparative financial results on an IFRS basis, including an opening balance sheet as at January 1, 2010 (the transition date).

The differences between the Corporation's accounting policies and IFRS requirements, combined with the Corporation's decisions on the optional exemptions from retroactive application of IFRS, will result in measurement and recognition differences upon the transition to IFRS. The net impact of these differences will be recorded in the Corporation's opening retained earnings.

This focus of the change to IFRS will be largely on Financial Instrument reporting, which is expected to be minimal, and financial statement presentation.

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 received 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 $19,779,603 and liquidation dividends of $9,215,611 have been received to date, of which $575,054 were recognized in 2010. Provisions of $525,000 (2009 - $1,720,000) have been made for future claim payments and are recorded in accounts payable.

(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 $3,271,264 have been received to date, of which $98,648 were recognized in 2010. Claims paid to date by the Corporation total $4,732,450.

(e) 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 $5,212,189. Liquidation dividends received to date total $5,250,000, of which nil has been recognized in 2010. Provisions of nil (2009 - $265,000) have been made for future claim payments.

(f) 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 nil was received in 2010. 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.

(g) 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.

(h) 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. Liquidation dividends of $2,070,297 have been received to date, of which $120,780 were recognized in 2010.

(i) 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.

(j) 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. Liquidation dividends of $50,329 were recognized in 2010.

(k) 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.

Year ended December 31, 2010
(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	$54	$660	$1,982	$3,296	$571	$151	$783	$222	$1,643	$6,761	$16,123
Investment income	7	5	16	30	4	1	5	2	10	51	131
Liquidation dividends	–	99	–	–	–	121	–	50	–	575	845
	61	764	1,998	3,326	575	273	788	274	1,653	7,387	17,099
Claims paid	–	97	250	–	–	–	–	–	–	660	1,007
Accrued claims	–	–	(265)	–	–	–	–	–	–	(1,255)	(1,520)
Expenses	7	17	(282)	15	5	–	–	–	15	617	394
Fund balances, end of year	**$54**	**$650**	**$2,295**	**$3,311**	**$570**	**$273**	**$788**	**$274**	**$1,638**	**$7,365**	**$17,218**
Fund balances, represented by:											
Cash and securities	$519	$737	$2,771	$4,859	$667	$238	$845	$281	$926	$8,026	$19,869
Accrued interest	–	1	2	4	1	–	1	–	1	7	17
Interfund receivable (payable)	89	(88)	(457)	(1,477)	(80)	35	(58)	(7)	711	294	(1,038)
Dividends receivable	–	–	–	–	–	–	–	–	–	10	10
	608	650	2,316	3,386	588	273	788	274	1,638	8,337	18,858
Accounts payable	–	–	21	75	18	–	–	–	–	972	1,086
Refunds payable to members (note 5)	554	–	–	–	–	–	–	–	–	–	554
Fund balances, end of year	**$54**	**$650**	**$2,295**	**$3,311**	**$570**	**$273**	**$788**	**$274**	**$1,638**	**$7,365**	**$17,218**

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, 2010, PACICC had paid out $19,516,296 from the total amount authorized for distribution of $19,880,520. 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 2010, no liquidation dividends (2009 - nil) were paid out.

6. Investments

(a) Carrying values and fair values

	2010		2009	
	Carrying value	**Fair value**	Carrying value	Fair value
Cash and term deposits	$29,244	$29,233	$29,251	$29,215
Bonds	36,771	36,771	36,165	36,165
Total	**$65,015**	**$66,004**	$65,416	$65,380

Term deposits are designated as HTM and are recorded at 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

Term deposits consist primarily of 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 $169,000 (2009 - $1,798,000) with maturity terms over a year. The effective interest rates on these securities are 0% to 2.82% for 2010 (2009 - 0% to 3.45%).

(ii) Bonds

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

	Remaining term to maturity			2010		2009	
	Within 1 year	1 to 5 years	Over 5 years	Total carrying amount	Effective rates	Total carrying amount	Effective rates
Government	$2,850	$18,618	$1,943	$23,411	2.20% to 5.25%	$21,295	2.20% to 5.25%
Corporate	–	12,638	722	13,360	2.48% to 5.42%	14,870	2.48% to 5.42%
	$2,850	**$31,256**	**$2,665**	**$36,771**	**2.20% to 5.42%**	$36,165	2.20% to 5.42%

7. Administrative expenses

	2010	2009
Operating Fund:		
Salaries and benefits	$712	$701
Research and other consulting	263	205
Premises	128	123
Miscellaneous	21	35
Legal fees	59	67
Travel	41	57
Board of Directors' fees and expenses	64	53
Corporate secretary and accounting services	44	42
Furniture and equipment	36	25
Telephone and postage	31	30
Printing and supplies	21	31
Insurance	15	16
Bank charges	73	68
	$1,508	$1,453
Compensation Fund:		
Investment management expense (included above)	$71	$67

8. Assessment capacity

PACICC has the ability to make a maximum potential annual general assessment of members of 1.5% (2009 - 1.5%) of covered premiums written, which amounted to approximately $574,280,000 in 2010 (2009 - $539,151,000). As a result of the loan arrangement with the liquidators of Canadian Millers', $3 million of this assessment capacity is reserved for any possible obligations of the Canadian Millers' liquidation.

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 bonds, 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 AFS investments were as follows:

	Total
Level 1	–
Level 2	$36,771
Level 3	–
Total	$36,771

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 its 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 bond portfolio by the higher of the Standard and Poors' and Moody's credit ratings as at December 31 is:

	2010		2009	
Credit rating	Carrying value	Percentage of portfolio	Carrying value	Percentage of portfolio
AAA	$21,170	57.6%	$22,395	61.9%
AA	15,601	42.4%	13,770	38.1%
Total	$36,771	100.0%	$36,165	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, 2010, 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 $1,132,000 (2009 - $911,000).

(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 $574,280,000 in 2010 (2009 - $539,151,000). As a result of the loan arrangement with the liquidators of Canadian Millers', $3 million of this assessment capacity is reserved for any possible obligations of the Canadian Millers' liquidation.

PACICC board of directors

2010/11 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)

Lawrie Savage
President,
Lawrie Savage & Associates Inc.

Alain Thibault
Senior Advisor and Past Chairman,
TD Insurance

Maurice Tulloch
President and CEO,
Aviva Canada Inc.

David Woolley
President,
Atlantic Insurance Company Ltd.

Board Committees

Audit

Earl McGill (Chair)
Lea Algar
Diane Brickner
George Cooke
Maurice Tulloch

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
Vice President, Financial Analysis and Regulatory Affairs

Tracy Waddington
Manager, Administration

Contract and part-time staff

John Connor
Manager, Claims

Randy Bundus
Corporate Counsel

Peter Stodolak
Research Analyst

Address

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

Provincial regulators

Carolyn Rogers
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

Phil Howell
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

Mario Albert
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

Deborah McQuade
Superintendent of Insurance
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

Doug Connolly
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
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
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

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
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)
Canassurance Compagnie d'Assurance Generales Inc.	Canassurance Compagnie d'Assurance Generales Inc.
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)
Darwin National Assurance Company	Darwin National Assurance Company
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)

Federation Insurance Company of 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)
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
Groupama Transport	Groupama Transport
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)
HDI - Gerling America Insurance Company	HDI - Gerling America Insurance Company
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
King's Mutual Insurance Company	King's 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 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 Insurance Company of Canada	Compagnie d'assurance RBC du Canada
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
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.
Shipowners' Mutual Protection & Indemnity Association (Luxembourg)	Entreprise d'assurances Shipowners' Mutual Protection & Indemnity Association (Luxembourg) (L')
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 Insurance Company	State Farm Mutual Automobile 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
Western Financial Insurance Company	Western Financial, Compagnie d'assurances
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