PACICC

Property and Casualty Insurance
Compensation Corporation

PACICC 25 YEARS OF PROTECTING INSURANCE CONSUMERS

Insolvency protection for home, automobile
and business insurance customers

# Annual Report 2013

## 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 2013

- Completing detailed research and analysis to quantify the maximum catastrophic loss that PACICC could handle, without threatening the solvency of otherwise healthy insurers. Findings were shared with insurance regulators and other key stakeholders.

- Publishing "Natural disasters and catastrophes" – PACICC's seventh *Why insurers fail* study – and distributing the paper to members and other stakeholders.

- Launching a P&C insurance risk officers' forum in Canada with management and administrative support from PACICC. The forum will focus on sharing information on best risk management practices and will serve as a consultative resource for insurance regulators.

**Contents**

CANADA'S P&C INSURANCE INDUSTRY showed considerable resilience in 2013. Despite being hit with record-setting insured losses from weather-related claims, the financial health of the industry remains strong. In particular, the industry's total capital remains healthy. From a solvency perspective, the industry is on a solid foundation. The number of insurers that we consider to be financially vulnerable is at the lowest level since PACICC was established 25 years ago.

That said, let me comment on three known risks that will prove challenging for insurers in the year ahead: the first being the Ontario government's goal of rolling back auto insurance premiums by 15 percent; the second being the likelihood of continuing large insured losses due to severe weather; and the third being the likelihood of higher interest rates. Concerns persist about whether lower auto insurance premiums will be *adequate* premiums. In particular, it is important to aggressively confront the significant cost of auto insurance fraud. With respect to severe weather, this risk will need to be mitigated by a combination of increased premiums, better accumulation management by insurers, and investments to upgrade aging municipal infrastructure. And while PACICC is not in the business of forecasting interest rates, we do consider it more likely than not that interest rates will eventually rise – potentially becoming another source of pressure on the financial health of insurance companies.

**With respect to severe weather, this risk will need to be mitigated by a combination of increased premiums, better accumulation management by insurers, and investments to upgrade aging municipal infrastructure.**

Consistent with its mission, the focus of PACICC continues to be on strengthening its preparedness to protect policyholders in the event that a member insurer becomes insolvent. A good example of this was our work during the past year to quantify the maximum loss that PACICC could handle resulting from a sizeable catastrophic event – such as an earthquake occurring in a large urban centre in Canada – without imposing financial pressures that could threaten the solvency of otherwise healthy insurers. Our analysis demonstrated that PACICC would be able to respond fully to the needs of policyholders if an earthquake (or some other shock) resulted in insured losses of up to $30 billion. The very unlikely risk of claims greater than $30 billion, however, would exceed the industry's financial capacity and could overwhelm PACICC's capacity to respond fully to policyholder needs. To help better manage these highest-impact risks, the Insurance Bureau of Canada is advocating an industry-government partnership with the goal of securing and funding a backstop for very large earthquake losses.

**… the year ahead will be a critical time for getting the implementation of ORSA "right" – and we see the risk officers' forum playing a prominent role in that process.**

Another initiative undertaken by PACICC in 2013 was the launch of a P&C insurance risk officers' forum in Canada. Member surveys conducted by PACICC have revealed strong support for the creation of a risk officers' forum – as a means of sharing information about best practices and about emerging risks. An additional element of the risk officers' forum mandate will be to act as a consultative resource for insurance regulators on risk management issues. This has recently taken on greater importance, for example, with the guidance issued by OsFI on Own-risk and solvency Assessment (OrsA) for Federally-regulated insurance companies. Indeed, the year ahead will be a critical time for getting the implementation of OrsA "right" – and we see the risk officers' forum playing a prominent role in that process.

In closing, I'd like to comment on changes taking place for PACICC's Board of directors. We will see a greater-than-usual turnover in our industry directors in 2014. Our former Chair, Maurice Tulloch, stepped down from the Board when he was promoted to head up Aviva's general insurance operations in the u.K. Congratulations, Maurice – I take this opportunity to thank you for your leadership and service to PACICC. In addition, diane Brickner, Marc Pontbriand and david Woolley will be retiring from the PACICC Board in April 2014. On behalf of the membership, I thank all three of you for your dedication and years of service to PACICC. In Ms. Brickner's case, that service exceeds 10 years as a Board member – including two years as Board Chair.

As PACICC completes its 25th year of protecting policyholders in the event of insurer insolvency, I am pleased to report that our preparedness remains at a high level and continues to evolve in response to changes in our risk environment.

FOR THE PERIOD 2014 TO 2016, PACICC’s strategic plan focuses on three key priorities. In 2014, our work will center on identifying best practices for valuing P&C insurance policy liabilities, setting prices and establishing loss reserves. PACICC’s work in 2015 will examine the full range of our coverage and benefits, including the current limit on refunds of unearned premiums. In 2016, we will undertake activities to benchmark PACICC’s policyholder protection initiatives against leading international guarantee funds.

Although rare, insurance company failures can and do occur. PACICC is committed to protecting consumer interests and minimizing the costs of any insurer insolvencies. We strive to maintain a high level of consumer and business confidence in Canada's P&C insurance industry through the financial protection we provide to policyholders.

### Promoting actuarial best practices

PACICC’s primary focus in 2014 is on recommending actions to reduce solvency risk by strengthening P&C insurance actuarial best practices in Canada – particularly through what is mandated by solvency supervisors at the provincial level.

PACICC’s research into past failures indicates that deficient pricing and loss reserving is the primary reason why P&C insurers fail. Some ninety percent of P&C insurance companies that have failed in Canada over the past 20 years have been provincially regulated. OSFI’s regulatory framework includes a number of actuarial requirements, such as: a requirement for insurers to have an appointed actuary; review of Appointed Actuary Reports by OSFI; peer-review of actuarial reserve estimates; and Dynamic Capital Adequacy Testing. Several provincial solvency supervisors do not require the insurance companies they regulate to follow all of these practices.

**PACICC’s research into past failures indicates that deficient pricing and loss reserving is the primary reason why P&C insurers fail.**

PACICC may advocate that provincial solvency supervisors mandate these OSFI practices (where they have the powers to do so), or at least actively recommend them as guidance. We will partner with the Canadian Institute of Actuaries to determine what CIA recommends as best practices for valuing P&C insurance policy liabilities, setting prices and establishing loss reserves. PACICC will work with stakeholders to determine the feasibility of improving disclosure of the impact of reserve estimates through a “Source of Earnings Statement.”

### Reviewing PACICC's coverage and benefits

In 2015, PACICC will examine the full range of its coverage and benefits, including the current limit on refunds of unearned premiums. PACICC last reviewed its coverage and benefits in 2006, so it is appropriate that we do so again in 2015.

The last coverage and benefits review in 2006 resulted in one significant change being made – the limit on personal property coverage was increased to a maximum of $300,000 per claim. All other PACICC claims limits remained at a maximum of $250,000. Consultations with key stakeholders (including insurance consumers, regulators and liquidators) will be part of the coverage and benefits review process. PACICC has conducted research to compare our coverages to those offered by insurance guarantee funds in other jurisdictions. The results of this research will inform our planned review of coverage and benefits. Depending on Board direction and our research findings, PACICC may choose to re-examine whether coverage should continue to be extended to large commercial insureds.

> **Depending on Board direction and our research findings, PACICC may choose to re-examine whether coverage should continue to be extended to large commercial insureds.**

### Benchmarking PACICC's policyholder protection against international practices

In 2016, PACICC will benchmark its policyholder protection practices against financial guarantee funds principally in the United States and in E.U. countries. The OECD recently completed a major study of guarantee fund practices (Policyholder Protection Schemes) that will be utilized in PACICC's review. Issues to be considered may include: public confidence in the system; levels of protection offered; mitigation of moral hazard; use of risk-based practices; mix of pre- and post-insolvency funding; clarity of information available to policyholders; and corporate governance.

In closing, I want to express my thanks and appreciation to the Corporation's Board of Directors for their guidance over the past year, and to my colleagues at PACICC for their continuing high-quality work. Now in our third decade of service, PACICC is well-focused on the issues that matter most to consumers and members and is well-positioned for continuing success.

since PACICC was established in 1989, the Corporation has required funds from members for the failure of a P&C insurance company in 12 of its 24 years in operation. For member insurers, the likelihood of an insolvency assessment in any given year is significant. PACICC's examination of the last 35 insurer failures in Canada found that inadequate pricing and reserving of the insurance product was the major cause of insolvency. This experience is consistent with all major insurance markets. For this reason, PACICC actively monitors the P&C insurance business environment in Canada and globally.

| | Canada | U.S. | EU | Asia* |
|---|---|---|---|---|
| **Leading cause of insolvency** | | | | |
| **1.** | Inadequate pricing and deficient loss reserves | Inadequate pricing and deficient loss reserves | Inadequate pricing and deficient loss reserves | Inadequate pricing and deficient loss reserves |
| **2.** | Parent company failure | Fraud | Asset risk | Asset risk |
| **3.** | Rapid growth | Significant change of business | Failed systems | Concentration |
| Number of insolvent companies | 35 | 871 | 140 | 159 |
| Sources: | PACICC (2008) | A.M. Best (2004) | FSA (2002) | Chen & Wong (2004) |

** Countries included in this study are Japan, Singapore, Malaysia and Taiwan*

## Developing problems in property insurance markets

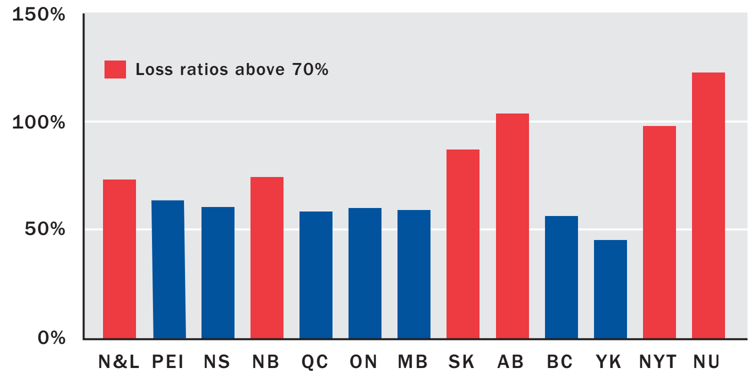
Traditionally homeowners' and commercial insurance markets in Canada have been healthy products, with associated solvency risks being low. Property insurance has provided a secure source of capital for insurers.

There are several homeowners' insurance markets across Canada where claims costs are higher than 70 percent per premium dollar collected. At current interest rates, these markets would be unprofitable for insurers and represent a drain on capital. It is not uncommon for any single province or territory to experience a bad year. however, PACICC's analysis finds that five provinces and two territories have had five bad years in a row – and that may suggest deeper problems in the marketplace.

Interprovincial differences in homeowners claims paid have been driven by more large storms causing damage in the Prairies and in Atlantic Canada. In Alberta, the average loss ratio for homeowners insurance for the past five years has been 106.9 percent. In saskatchewan, the ratio is 87.3 percent. In New Brunswick, the loss ratio over the past five years is 83.0 percent.

Results are similar in the commercial property marketplace. In Alberta, the five-year loss ratio for commercial property is 92.2 percent. In Nova Scotia, it is 78.1 percent. In Newfoundland and Labrador, it is 76.0 percent. These sustained high loss ratios are eroding the capital base of insurers operating primarily in these markets.

**Personal property loss ratios**
5-year average 2008 – 2013




*Source: PACICC, with data from OSFI*

A significant factor in these poor underwriting results is the impact of increasingly frequent and severe natural catastrophes. In 2013, Canada experienced more than $3.2 billion in catastrophe losses across the country. This is the most costly year in Canadian insurance industry history. And it is the fifth straight year in which weather-related losses have exceeded $1 billion. Large catastrophic losses are no longer unusual.

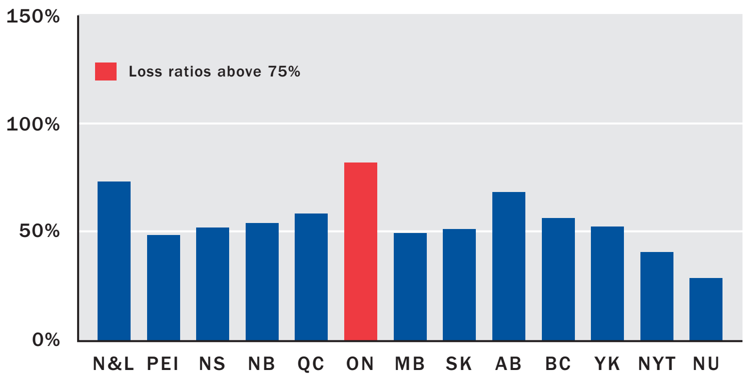
It is clear to PACICC that property insurance is changing with weather-related (water and wind) claims costs increasing as a proportion of total property claims. The problem is not that catastrophic losses occur; rather, it is that insurers are not accurately assessing and measuring the costs associated with severe weather risks. PACICC believes that most insurers have the tools and expertise to remain solvent in the face of increasingly frequent and severe weather catastrophes – by using both pricing and reinsurance strategies to manage the risk and to maintain their claims-paying capacity.

## Continued uncertainty in Ontario auto insurance

Ontario auto insurance makes up approximately 25 percent of Canada's P&C insurance market. There is uncertainty about whether insurers have legal clarity to price and deliver this product.

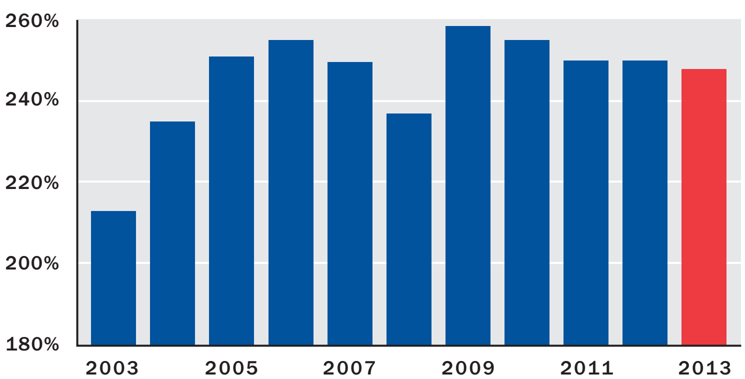
In 2010, the Ontario government enacted auto insurance reforms that have dramatically changed the product. While these reforms have had a positive effect and reduced claims costs, the Government has mandated an additional 15 percent reduction in premiums over the next two years, with little reform to reduce costs within the system.

**Automobile loss ratios**
5-year average 2008 – 2013




*Source: PACICC, with data from OSFI*

**PACICC member average Minimum Capital Test score**
Assets available divided by assets required by OFSI's MCT and BAAT




*Source: PACICC, with data from MSA*

It is clear that Ontario drivers pay high premiums for auto insurance. With the strict prior approval system of rate regulation, the Government could force insurers to reduce rates. This continuing uncertainty makes it difficult for insurers to price and reserve the Ontario auto insurance product.

Outside of Ontario, auto insurance appears to have replaced property insurance as a contributor to the industry's capital base.

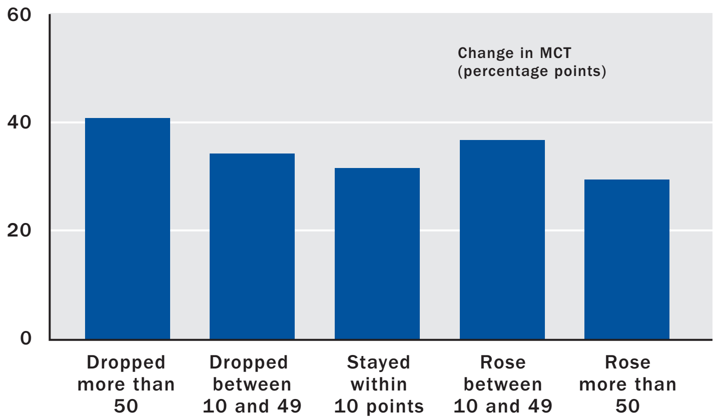
## Regulatory risk

It has been a decade since a Canadian P&C insurer failed and was put into liquidation by regulators. This means we are coming upon a generation of insurance regulators and bankruptcy professionals that has never managed the unique process of liquidating a P&C insurer.

Fortunately, since the last insolvency, Canada's P&C insurers have benefitted from a period of sustained profitability. This has allowed most PACICC member companies to build a strong capital base of more than $44 billion. The average score on the regulatory capital tests through the first three quarters of 2013 was more than 245 percent. The regulatory minimum to operate an insurance company in Canada is 150 percent.

**Minimum Capital Test movement**

Number of insurers




*Source: PACICC, with data from MSA*

While current capital scores are solid, the ratios for individual insurers are subject to significant volatility. In 2012, 42 insurers (one in five of all PACICC member insurers) reported a regulatory capital score 50 percentage points lower than the year before. Another 34 insurers reported a decline in their solvency ratios between 10 and 49 percentage points.

## Looking ahead

From a solvency perspective, the outlook for Canada's P&C insurance sector is healthy. On balance, the industry – and most PACICC member insurers – have significantly improved their capital positions over the past several years. While there are important variations in capital strength between companies – and there are developing concerns in property insurance markets – industry-wide measures show that Canada's P&C insurers are well-prepared to face future financial challenges.

d uring 2013, PACICC undertook a review of its risk management framework, guided by the Board of d irectors Audit and r isk Committee, and with input from our advisory group of P&C insurance chief risk officers. As a result of the review, PACICC decided to concentrate its risk reporting on the organization's top-five risks. In addition, we decided to treat reputation risks differently. r ather than treating these as individual risks, we now identify potential reputation issues that could apply to other risks of a financial, operational or regulatory nature (see table, on page 11).

PACICC also worked to launch a P&C insurance chief risk officers' forum in Canada last year. In addition to industry benefits, the forum provides PACICC with opportunities for periodic review and validation of its own risk management framework.

### Risk trends and top-five risks

PACICC groups its risks in three broad categories: financial, regulatory and operational risks. At year-end 2013, we viewed the outlook for financial and operational risk as stable, while the trend for regulatory risk had increased moderately. The two main factors influencing the increase in regulatory risk are the push to reduce auto insurance rates in Ontario (potentially without adequate offsetting cost reductions), as well as OsFI's new framework requiring Federally-regulated insurance companies to conduct Own-r isk and s olvency Assessments (Or sA) in 2014. While PACICC views Or sA as a positive development, concern remains about the ability of smaller-scale insurers to respond efficiently to the new requirements.

Below we comment on PACICC's top-five risks, including potential financial or reputation issues, as well as risk ratings.

## Overview of PACICC risk environment

| Risk description | Potential financial or reputation issues | Risk rating: Impact / Likelihood |
|---|---|---|
| Insolvency costs could exceed PACICC's available financial resources | Based on an annual maximum, potential general assessment capacity of $730 million in 2012 – and PACICC's objective to settle most policyholder claims (95%+) within a two-year timeframe – the Corporation could face reputation risk if claims from a single (or multiple) member company failure(s) exceeded $1.5 billion in the space of two years | Very high / Very low |
| Seismologists consider it inevitable that a major earthquake will someday strike Canada | Our research shows that an earthquake resulting in insured losses > $15 billion in Canada would cause some insurers to fail – thus triggering PACICC's involvement. Reputation risks could emerge if insured losses reached $20 to $25 billion, but PACICC believes these risks could be managed within the existing rules | Very high / Very low |
| Regulation of insurance rates may contribute to insurer solvency problems | Rate regulation poses primarily financial, rather than reputation issues for PACICC<br>Ontario's attempt to lower automobile insurance rates by 15% by 2015 (without further meaningful product reforms) could, for example, weaken the financial strength of some member companies | High / High |
| Provincial insurance supervisory frameworks may not meet the standards of the International Association of Insurance Supervisors (IAIS) | Similar to the risk of rate regulation, deficiencies in solvency supervision at the provincial level potentially impose financial costs on PACICC rather than reputation damage<br>We have been successful in raising the profile of the issue among national and provincial insurance regulators. Nonetheless, significant residual risk remains – and the risk is difficult for PACICC to mitigate | High / High |
| Insurance company winding-up and restructuring practices are outdated in Canada | PACICC faces some reputation risk among its members when existing (or new) insolvencies take many years to be resolved. While the timing is difficult to predict, we expect international pressures – coming from the Financial Stability Board and from the IAIS – ultimately to assist in modernizing Canada's resolution regime for failed insurance companies | Medium / High |

### Emerging risks

A number of PACICC's risks are derivative in nature – related to the underlying risks of our member companies. so it is important for us to stay in touch with how members view emerging risks. Based on survey evidence and informal discussions, emerging risks that are currently of greatest concern to P&C insurers in Canada include IT and cyber risks; the impacts of climate change and related adaptation; and keeping pace with new and increased regulatory requirements. A key objective of the new risk officers' forum in Canada is to put greater emphasis on responding to these and other emerging risks.

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## INDEPENDENT AUDITORS' REPORT

To the Members of the Property and Casualty Insurance Compensation Corporation

We have audited the accompanying financial statements of the Property and Casualty Insurance Compensation Corporation, which comprise the statement of financial position as at December 31, 2013, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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 these financial statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Corporation's preparation and fair presentation of the financial statements 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 Corporation'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 statements.

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 statements present fairly, in all material respects, the financial position of the Property and Casualty Insurance Compensation Corporation as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

March 24, 2014
Toronto, Canada

## Statements of Financial Position

Years ended December 31, 2013 and December 31, 2012
(In thousands of dollars)

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| **Assets** | | |
| Cash (note 7) | $18,899 | $18,553 |
| Investments (note 7) | 49,328 | 47,725 |
| Accrued interest | 292 | 326 |
| Liquidation dividends receivable | – | 39 |
| Assessment receivable | 105 | 38 |
| Other receivables | 32 | 31 |
| **Total assets** | **$68,656** | **$66,712** |
| **Liabilities and Equity** | | |
| **Liabilities:** | | |
| Trade and other payables | $198 | $209 |
| Provisions (note 6) | 598 | 933 |
| Total liabilities | 796 | 1,142 |
| **Equity:** | | |
| Operations surplus | 1,634 | 1,520 |
| Liquidation surplus | 16,447 | 16,011 |
| Compensation Fund | 49,779 | 48,039 |
| Total equity | 67,860 | 65,570 |
| **Total liabilities and equity** | **$68,656** | **$66,712** |

see accompanying notes to financial statements.

On behalf of the Board:

Fabian r ichenberger, *Board Chair*

Bruce Thompson, *Director*

## Statement of Comprehensive Income

Years ended December 31, 2013 and December 31, 2012
(In thousands of dollars)

| | 2013 | 2012 |
|---|---|---|
| **Revenue from operations:** | | |
| Members assessments | $1,326 | $1,251 |
| Investment income | 21 | 20 |
| Funding from liquidations and others | 193 | 197 |
| | 1,540 | 1,468 |
| **Expenses:** | | |
| Salaries and benefits | 702 | 714 |
| Research and other consulting | 194 | 278 |
| Premises | 138 | 132 |
| Investment management | 78 | 77 |
| Board of Directors | 63 | 71 |
| Legal fees | 57 | 52 |
| Corporate secretary and accounting services | 45 | 45 |
| Travel | 40 | 37 |
| Telephone and postage | 25 | 26 |
| Furniture and equipment | 21 | 19 |
| Printing and office supplies | 15 | 18 |
| Insurance | 15 | 15 |
| Bank | 1 | 2 |
| Miscellaneous | 32 | 34 |
| | 1,426 | 1,520 |
| Excess (deficiency) of revenue over expenses – operations | 114 | (52) |
| **Liquidations:** (note 5(b)): | | |
| Liquidation dividends | 709 | 45 |
| Investment income | 175 | 182 |
| Reversal of provisions for unclaimed funds from liquidation (note 8(d)) | 578 | – |
| Claims recoveries (costs) | (149) | 125 |
| Expenses | (299) | (116) |
| Excess (deficiency) of revenue over expenses – liquidations | 1,014 | 236 |
| **Compensation Fund:** | | |
| Investment income | 1,162 | 1,321 |
| Excess of revenue over expenses – Compensation Fund | 1,162 | 1,321 |
| **Total comprehensive income** | **$2,290** | **$1,505** |

All income is attributable to members.

see accompanying notes to financial statements.

## Statement of Changes in Equity

Years ended December 31, 2013, December 31, 2012 and December 31, 2011
(In thousands of dollars)

| | Operations surplus | Liquidation surplus | Compensation Fund | Total |
|---|---|---|---|---|
| Balance, December 31, 2011 | $1,572 | $15,775 | $46,718 | $64,065 |
| Comprehensive income (loss) | (52) | 236 | 1,321 | 1,505 |
| Balance, December 31, 2012 | 1,520 | 16,011 | 48,039 | 65,570 |
| Comprehensive income | 114 | 1,014 | 1,162 | 2,290 |
| Transfer from liquidation to Compensation Fund | – | (578) | 578 | – |
| **Balance, December 31, 2013** | **$1,634** | **$16,447** | **$49,779** | **$67,860** |

see accompanying notes to financial statements.

## Statement of Cash Flows

Years ended December 31, 2013 and December 31, 2012
(In thousands of dollars)

| | 2013 | 2012 |
|---|---|---|
| **Cash provided by (used in):** | | |
| **Operating activities:** | | |
| Excess (deficiency) of revenue over expenses: | | |
| Operations | $114 | $ (52) |
| Liquidations | 1,014 | 236 |
| Compensation Fund | 1,162 | 1,321 |
| Amortization of bond premium and discount | 259 | 105 |
| Change in accrued interest | 34 | (64) |
| Change in receivables | (29) | (62) |
| Change in trade and other payables | (11) | (17) |
| Change in provisions | (335) | (130) |
| Cash provided by operating activities | 2,208 | 1,337 |
| **Investing activities:** | | |
| Maturity of investments | 33,008 | 39,082 |
| Purchase of investments | (34,870) | (40,501) |
| Cash used in investing actvities | (1,862) | (1,419) |
| Increase (decrease) in cash | 346 | (82) |
| Cash, beginning of year | 18,553 | 18,635 |
| **Cash, end of year** | **$18,899** | **$18,553** |

see accompanying notes to financial statements.

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 domiciled in Canada. The address of the Corporation's registered office is 20 Richmond Street East, Suite 210, Toronto, Ontario, M5C 2R9.

The financial statements of the Corporation for the year ended December 31, 2013 include the funds of the Corporation.

**1. Basis of preparation:**

***(a) Statement of compliance:***
The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial statements for the year ended December 31, 2013 has been approved for issue by the Board of Directors on April 15, 2014.

***(b) Funds:***
The Corporation is funded by assessments levied on its members. Assessments are recognized on an accrual basis as revenue of the appropriate restricted funds. Investment income earned by the funds is recognized in the respective fund.

***(c) Basis of measurement:***
The financial statements of the Corporation have been prepared on a historical cost basis except for investments, which are carried at amortized cost.

***(d) Functional and presentation currency:***
These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. Except as otherwise indicated, all financial information presented in Canadian dollars has been rounded to the nearest thousand.

***(e) Use of estimates:***
The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised.

***(f) Liquidity format:***
The Corporation presents its statement of financial position broadly in order of liquidity.

**2. Significant accounting policies:**

***(a) Cash and cash equivalents:***
Cash and cash equivalents are highly liquid investments composed of bank balances, overnight bank deposits and short-term investments carried at amortized cost.

***(b) Bonds:***
Bonds are carried at amortized cost. Interest income is recorded on an accrual basis using the effective interest method. Realized gains and losses and impairment losses are recognized immediately in income.

The fair values reported are based on a hierarchy that reflects the significance of the inputs making the measurements:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

***(c) Equipment:***
Equipment is depreciated over three years on a straight-line basis based on its estimated useful life.

***(d) Provisions:***
A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized in profit or loss.

***(e) Operating lease:***
At inception of an arrangement, the Corporation determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Corporation the right to control the use of the underlying asset.

All of the Corporation's leases are classified as operating leases and are not recognized in the Corporation's statement of financial position.

***(f) Income taxes:***
The Corporation 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.

*(g) Revenue recognition:*

(i) Member assessments:

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.

(ii) Liquidation dividends:

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.

(iii) Interest income:

Interest income from debt securities, including bonds and debentures, is recognized on an accrual basis using the effective interest rate method.

**3. New standards and interpretations not yet adopted:**

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Corporation.

**4. 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 $22,891,298 to date, of which nil were recognized in 2013. Claims paid to date by the liquidator total $20,867,566 and liquidation dividends of $13,599,341 have been received to date, of which nil were recognized in 2013. Provisions of $179,000 (2012 - $130,000) 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 $3,334,570 have been received to date, of which nil were recognized in 2013. Claims paid to date by the Corporation total $4,740,480 of which nil was recognized in 2013.

*(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 $5,311,793 of which $99,604 was paid in 2013. Liquidation dividends received to date total $5,564,786 of which $374,414 was recognized in 2013.

*(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 nil was received in 2013. The total claims paid to date by the Corporation amount to $23,464,657. Refunds of $5,275,969 were declared in 2008, of which all but $75,148 has been distributed, and a further $3,312,228 was refunded in 2011 (note 8(b) and (c)). In 2012, the 2008 undistributed funds of $75,148 were transferred to the Compensation Fund (note 8(d)).

*(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 $2,070,297 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. Dividends of $334,768 were received in 2013.

Year ended December 31, 2013
(Tabular amounts in thousands of dollars)

### 4. General and designated funds (continued):

*(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 and a further $1,638,758 was refunded in 2012 (note 8(c)). 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.

### 5. Operating, Compensation and liquidation fund information:

*(a) Statement of financial position as at December 31, 2013:*

| | Operating Fund | Compensation Fund | Liquidation refund | Canadian Millers' | GISCO | Maplex | Hiland | Beothic | Canadian Universal | Ontario General | Advocate | Markham General | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | | | | |
| Cash | $1,047 | $175 | $146 | $666 | $2,617 | $34 | $688 | $246 | $833 | $627 | $14 | $11,806 | $18,899 |
| Investments | – | 49,328 | – | – | – | – | – | – | – | – | – | – | 49,328 |
| Accrued interest | 1 | 276 | – | 1 | 2 | – | 1 | – | 1 | – | – | 10 | 292 |
| Assessment receivable | 105 | – | – | – | – | – | – | – | – | – | – | – | 105 |
| Interfund receivable | 647 | – | 1 | 129 | 105 | – | – | 23 | – | – | 1 | 1 | 907 |
| Other receivables | 32 | – | – | – | – | – | – | – | – | – | – | – | 32 |
| **Total assets** | **$1,832** | **$49,779** | **$147** | **$796** | **$2,724** | **$34** | **$689** | **$269** | **$834** | **$627** | **$15** | **$11,817** | **$69,563** |
| **Liabilities and Equity** | | | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | | | |
| Trade and other payables | $198 | $ – | $ – | $ – | $ – | $ – | $ – | $ – | $ – | $ – | $ – | $ – | $198 |
| Interfund payables | – | – | 18 | 117 | 164 | 12 | 104 | – | 22 | 19 | 9 | 442 | 907 |
| Provisions | – | – | 74 | – | 21 | – | 18 | – | – | – | – | 485 | 598 |
| Total liabilities | 198 | – | 92 | 117 | 185 | 12 | 122 | – | 22 | 19 | 9 | 927 | 1,703 |
| Equity: | | | | | | | | | | | | | |
| Operations surplus | 1,634 | – | – | – | – | – | – | – | – | – | – | – | 1,634 |
| Liquidation surplus | – | – | 55 | 679 | 2,539 | 22 | 567 | 269 | 812 | 608 | 6 | 10,890 | 16,447 |
| Compensation surplus | – | 49,779 | – | – | – | – | – | – | – | – | – | – | 49,779 |
| Total equity | 1,634 | 49,779 | 55 | 679 | 2,539 | 22 | 567 | 269 | 812 | 608 | 6 | 10,890 | 67,860 |
| **Total liabilities and equity** | **$1,832** | **$49,779** | **$147** | **$796** | **$2,724** | **$34** | **$689** | **$269** | **$834** | **$627** | **$15** | **$11,817** | **$69,563** |

**5. Operating, Compensation and liquidation fund information (continued):**

*(b) Revenue and expenses from liquidations for the year ended December 31, 2013:*

| | Liquidation refund | Canadian Millers' | GISCO | Maplex | Hiland | Beothic | Canadian Universal | Ontario General | Advocate | Markham General | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue: | | | | | | | | | | | |
| Liquidation dividends | $ – | $ – | $374 | $ – | $ – | $ – | $ – | $335 | $ – | $ – | $709 |
| Investment | 1 | 8 | 26 | – | 7 | 3 | 8 | 3 | – | 119 | 175 |
| Reversal of provisions for unclaimed funds from liquidations | 578 | – | – | – | – | – | – | – | – | – | 578 |
| | 579 | 8 | 400 | – | 7 | 3 | 8 | 338 | – | 119 | 1,462 |
| Expenses: | | | | | | | | | | | |
| Claims paid | – | – | 100 | – | – | – | – | – | – | – | 100 |
| Accrued claims | – | – | – | – | – | – | – | – | – | 49 | 49 |
| Expenses | 3 | 14 | 11 | – | 5 | – | – | 5 | – | 261 | 299 |
| | 3 | 14 | 111 | – | 5 | – | – | 5 | – | 310 | 448 |
| **Net results from liqudations** | **$576** | **$(6)** | **$289** | **$ –** | **$2** | **$3** | **$8** | **$333** | **$ –** | **$(191)** | **$1,014** |

*(c) Changes in liquidation surplus for the year ended December 31, 2013:*

| | Liquidation refund | Canadian Millers' | GISCO | Maplex | Hiland | Beothic | Canadian Universal | Ontario General | Advocate | Markham General | Total liquidation surplus |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance, December 31, 2011 | $59 | $689 | $2,236 | $21 | $563 | $263 | 796 | $276 | $6 | $10,866 | $15,775 |
| Comprehensive income (loss) | (2) | (4) | 14 | 1 | 2 | 3 | 8 | (1) | – | 215 | 236 |
| Balance, December 31, 2012 | 57 | 685 | 2,250 | 22 | 565 | 266 | 804 | 275 | 6 | 11,081 | 16,011 |
| Comprehensive income (loss) | 576 | (6) | 289 | – | 2 | 3 | 8 | 333 | – | (191) | 1,014 |
| Transfer to Compensation Fund (note 8(d)) | (578) | – | – | – | – | – | – | – | – | – | (578) |
| **Balance, December 31, 2013** | **$55** | **$679** | **$2,539** | **$22** | **$567** | **$269** | **$812** | **$608** | **$6** | **$10,890** | **$16,447** |

**6. Provisions:**

| | Unclaimed refunds | Liquidations | | | | Total |
|---|---|---|---|---|---|---|
| | | GISCO | Maplex | Hiland | Markham General | |
| Balance, December 31, 2011 | $500 | $21 | $75 | $18 | $449 | $1,063 |
| Stale-dated cheques | 77 | – | – | – | – | 77 |
| Claim reserves | – | – | – | – | (155) | (155) |
| Liquidator expenses | – | – | – | – | (52) | (52) |
| Transfer to Unclaimed Refunds | 75 | – | (75) | – | – | – |
| Balance, December 31, 2012 | 652 | 21 | – | 18 | 242 | 933 |
| Claim reserves | – | – | – | – | 49 | 49 |
| Liquidator expenses | – | – | – | – | 194 | 194 |
| Reversal of provision for unclaimed funds from liquidations | (578) | – | – | – | – | (578) |
| **Balance, December 31, 2013** | **$74** | **$21** | **$ –** | **$18** | **$485** | **$598** |

Year ended December 31, 2013
(Tabular amounts in thousands of dollars)

## 7. Financial instruments:

Carrying values and fair values

| | December 31, 2013 | | December 31, 2012 | |
|---|---|---|---|---|
| | Carrying value | Fair value | Carrying value | Fair value |
| Cash | $18,899 | $18,899 | $17,975 | $17,975 |
| Term deposits | 5,306 | 5,331 | 5,645 | 5,654 |
| Bonds | 44,022 | 44,409 | 42,080 | 42,816 |
| | **$68,227** | **$68,639** | **$65,700** | **$66,445** |

Cash, term deposits and bonds are recorded at amortized cost.

*(a) Term deposits:*
These investments have an aggregate carrying value of approximately $5,306,000 (2012 - $5,645,000). 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 $169,000 (2012 - $169,000), with maturity terms over a year.

*(b) Bonds:*

| | Remaining term to maturity | | | December 31, 2013 | | December 31, 2012 | |
|---|---|---|---|---|---|---|---|
| | Within 1 year | 1 to 5 years | Over 5 years | Total carrying amount | Effective rates | Total carrying amount | Effective rates |
| Government | $1,702 | $25,813 | $ – | $27,515 | 1.70% - 10.25% | $24,307 | 1.75% - 10.25% |
| Corporate | 2,151 | 14,356 | – | 16,507 | 2.28% - 4.78% | 17,773 | 2.28% - 5.42% |
| | **$3,853** | **$40,169** | **$ –** | **$40,022** | **1.70% - 10.25%** | **$42,080** | **1.75% - 10.25%** |

## 8. 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, 2011, PACICC had paid out $19,516,296 from the total amount authorized for distribution of $19,880,520. Of the residual amount of $268,137, PACICC expects to pay out $16,037 when instructions are received from several member companies on how to allocate the funds; the remaining amount of $252,100 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.

(c) On November 8, 2011, PACICC's Board of Directors approved an additional refund of $4,950,986 from the estates of Maplex ($3,312,228) and Advocate ($1,638,758) as these liquidations are now closed. Refunds of $4,909,135 were distributed in December. The final $41,851 is undistributed while management determines ultimate ownership.

(d) As of December 31, 2013, the provisions for the undistributed funds from (a) ($268,137), (b) ($75,148), (c) ($41,851) as well as unclaimed funds from these liquidations ($192,862) totalling $577,998 were reversed, and transferred to the Compensation Fund.

## 9. Assessment capacity:

PACICC has the ability to make a maximum potential annual general assessment of members of 1.5% (2012 - 1.5%) of covered premiums written, which amounted to approximately $744,430,000 in 2013 (2012 - $731,908,000). As a result of the loan arrangement with the liquidators of Canadian Millers', $3,000,000 of this assessment capacity is reserved for any possible obligations of the Canadian Millers' liquidation.

## 10. Equipment:

As at December 31, 2013, equipment acquired by the Corporation has been fully amortized.

## 11. Lease commitments:

In 2012, the Corporation renewed its lease for office premises for a period of five years ending December 31, 2017. The annual lease commitment is $62,601.

## 12. 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.

**13. 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 bond and equity investments, as well as derivatives, were as follows:

| | Total |
|---|---|
| Level 1 | $ – |
| Level 2 | 44,409 |
| Level 3 | – |
| Total | $44,409 |

**14. 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:

| | December 31, 2013 | | December 31, 2012 | |
|---|---|---|---|---|
| **Credit rating** | **Carrying value** | **Percentage of portfolio** | Carrying value | Percentage of portfolio |
| AAA | $28,507 | 64.8% | $24,987 | 59.4% |
| AA | 15,515 | 35.2% | 17,093 | 40.6% |
| **Total** | **$44,022** | **100.0%** | **$42,080** | **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, 2013, 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 $1,163,516 (2012 - $1,096,090).

***(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 $744,430,000 in 2013 (2012 - $731,908,000). As a result of the loan arrangement with the liquidators of Canadian Millers', $3,000,000 of this assessment capacity is reserved for any possible obligations of the Canadian Millers' liquidation.

**15. Remuneration:**

Key personnel of the Corporation are members of the Board of Directors and senior executives. Remuneration paid to key personnel during the year includes the following expenses:

| | 2013 | 2012 |
|---|---|---|
| Directors' fees | $63 | $67 |
| Salaries | 525 | 513 |
| Other benefits | 69 | 67 |
| | **$657** | **$647** |

**16. Commitments and contingencies:**

***Legal proceedings:***

In the normal course of business, the Corporation may be involved in various legal claims and other matters, the outcome of which is not presently determinable. In management's opinion, the resolution of any such matters would not have a material adverse effect on the financial condition of the Corporation.

### 2013/14 Board

**Fabian Richenberger**
**Chair**
*President,*
Northbridge Insurance Company

**Lea Algar**
*Chair,*
General Insurance Ombudservice

**Diane Brickner**
*President,*
Peace h ills General Insurance Company

**Paul Kovacs**
*President and CEO,*
PACICC

**Ellen Moore**
*President,*
Chubb Insurance Company of Canada

**Marc Pontbriand**
*President, Direct-to-Consumer Distribution*
Intact Insurance

**Lawrie Savage**
*President,*
Lawrie savage & Associates Inc.

**Bruce Thompson**
*Program Director,*
Toronto Centre

**David Woolley**
*President,*
Atlantic Insurance Company Ltd.

### Board Committees

***Audit***

Bruce Thompson (Chair)
Lea Algar
d iane Brickner
Fabian r ichenberger

***Governance and Human Resources***

Fabian r ichenberger (Chair)
e llen Moore
Marc Pontbriand
Lawrie savage
d avid Woolley

**Paul Kovacs**
*President and Chief Executive Officer*

### Full-time staff

**Jim Harries**
*Vice President, Operations*

**Grant Kelly**
*Chief Economist*
*Vice President, Financial Analysis and Regulatory Affairs*

**Tracy Waddington**
*Manager, Administration*

### Contract and part-time staff

**Ron Bilyk**
*Governance, Risk Advisor*

**John Connor**
*Manager, Claims*

**Randy Bundus**
*Corporate Counsel*

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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 |
| AIG Property Casualty | Compagnie d'Assurance AIG du Canada |
| Alberta Motor Association Insurance Company | Alberta Motor Association Insurance Company |
| Allianz Global r isks u .s. Insurance Company | Compagnie d’Assurance Allianz r isques 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 r oad Insurance Company | Compagnie d’Assurance American r oad |
| 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 u K |
| Associated e lectric & Gas Insurance s ervices | s ervices 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 |
| Aviva Insurance Company of Canada | Aviva, Compagnie d’Assurance du Canada |
| AXA Art Insurance Corporation | AXA Art Insurance Corporation |
| AXIs r einsurance Company (Canadian Branch) | AXIs Compagnie de r éassurance (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 Columbia Life & Casualty Company | British Columbia Life & Casualty Company |
| CAA Insurance Company (Ontario) | CAA Insurance Company (Ontario) |
| Canadian d irect Insurance Inc. | Canadian d irect Insurance Inc. |
| Canadian Farm Insurance Corporation | Canadian Farm Insurance Corporation |
| Canadian Northern s hield Insurance Company | Bouclier du Nord Canadien, Compagnie d’assurance (Le) |
| Canassurance Compagnie d’Assurance Generales Inc. | Canassurance Compagnie d’Assurance Generales Inc. |
| La Capitale General Insurance | Capitale Assurances Générales Inc. (La) |
| Certas d irect Insurance Company | Certas direct, compagnie d’assurances |
| Certas h ome and Auto Insurance Company | Certas, compagnie d’assurances habitation et auto |

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| Cherokee Insurance Company | Cherokee Insurance Company |
| 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 |
| 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) |
| Core Pointe Insurance Company | La Compagnie d'Assurance CorePointe |
| Coseco Insurance Company | Compagnie d’Assurance Coseco |
| Cu MIs General Insurance Company | Compagnie d’Assurance Générale Cu MIs (La) |
| d arwin National Assurance Company | d arwin National Assurance Company |
| d As Legal Protection Insurance | d As Compagnie d'assurance de protection juridique limitée |
| d esjardins General Insurance Inc. | d esjardins Assurances Générales Inc. |
| d ominion of Canada General Insurance Company | Compagnie d’assurance générale d ominion du Canada |
| e cclesiastical Insurance Office PLC | s ociété des Assurances e cclésiastiques |
| e chelon General Insurance Company | Échelon, Compagnie d’Assurances Générales |
| e conomical Mutual Insurance Company | e conomical, Compagnie Mutuelle d’Assurance |
| e lectric Insurance Company | Compagnie d’assurance e lectric |
| e lite Insurance Company | Compagnie d’Assurances Élite (La) |
| e mployers Insurance Company of Wausau | Compagnie d’Assurances des e mployeurs de Wausau |
| e verest Insurance Company of Canada | Compagnie d’Assurance e verest 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 r einsurance Corporation | General r einsurance Corporation |
| Germania Mutual Insurance Company | Germania Mutual Insurance Company |
| Global r einsurance Company | Global r einsurance Company |
| GMs Insurance Inc. | GMs Insurance Inc. |

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| Gore Mutual Insurance Company | Gore Mutual Insurance Company |
| Great American Insurance Company | Compagnie d'Assurance Great American |
| Groupama s.A. | Groupama s.A. |
| Groupe estrie-r ichelieu, compagnie d'assurance | Groupe estrie-r ichelieu, Compagnie d'assurance (Le) |
| Groupe Ledor | Groupe Ledor |
| Guarantee Company of North America | Garantie, Compagnie d'Assurance de l'Amérique du Nord (La) |
| h artford Fire Insurance Company Ltd. | Compagnie d'Assurance Incendie h artford (La) |
| h d I - Gerling America Insurance Company | h d I - Gerling America Insurance Company |
| Industrial Alliance Insurance Auto and h ome Inc. | 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 h annover Limited | International Insurance Company of h annover Limited |
| Ironshore Insurance Ltd. | Les Assurances Ironshore |
| 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 Mutual Insurance Company | Liberty Mutual Insurance Company |
| Lloyd's Canada | Lloyd's 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 r einsurance America Inc. | r éassurance Munich Amérique, Inc. |

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| Mutual Fire Insurance Company of British Columbia | Mutual Fire Insurance Company of British Columbia (The) |
| Mutuelle d'e glise 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) |
| Northbridge General Insurance Corporation | s ociété d'assurance générale Northbridge |
| Northbridge Commercial Insurance Corporation | s ociété d'assurance des entreprises Northbridge |
| Northbridge Personal Insurance Corporation | s ociété d'assurance des particuliers Northbridge |
| North Waterloo Farmers Mutual Insurance Company | North Waterloo Farmers Mutual Insurance Company (The) |
| Novex Insurance Company | Novex Compagnie d'assurance |
| Old r epublic Insurance Company of Canada | Ancienne r épublique, Compagnie d'Assurance du Canada (L') |
| Omega General Insurance Corporation | Omega Compagnie d'Assurance générale |
| Optimum Assurance Agricole Inc. | Optimum Assurance Agricole Inc. |
| Optimum s ociété d'assurance Inc. | Optimum s ociété d'Assurance Inc. |
| Optimum West Insurance Company | Optimum West Insurance Company |
| Orion Travel Insurance Company | Compagnie d'Assurance Voyage Orion |
| PAFCO Insurance Company | PAFCO compagnie d'assurance |
| Peace h ills General Insurance Company | Peace h ills General Insurance 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 |
| Portage La Prairie Mutual Insurance Company | Portage La Prairie Mutual Insurance Company (The) |
| Primmum Insurance Company | Primmum compagnie d'assurance |
| Prince e dward Island Mutual Insurance Company | Prince e dward Island Mutual Insurance Company |
| Pro-d emnity Insurance Company | Pro-d emnity Insurance Company |
| Progressive Insurance Company | Progressive Insurance Company |
| Promutuel de L'estuaire | Promutuel de L'estuaire |
| Promutuel r eassurance | Promutuel r éassurance |
| Protective Insurance Company | Protectrice, société d'assurance (La) |
| Quebec Assurance Company | Compagnie d'Assurance du Québec |

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| r BC General Insurance Company | Compagnie d'assurance générale r BC |
| r BC Insurance Company of Canada | Compagnie d'assurance r BC du Canada |
| r CA Indemnity Corporation | r CA Indemnity Corporation |
| r ed r iver Valley Mutual Insurance Company | r ed r iver Valley Mutual Insurance Company |
| r epwest Insurance Company | Compagnie d'assurance r epwest |
| r oyal & sunAlliance Insurance Company of Canada | r oyal & 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 |
| security Insurance Company of h artford | Compagnie d'Assurance sécurité de h artford |
| 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. |
| starr Insurance & r einsurance Ltd. | starr Insurance & r einsurance Ltd. |
| 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 h ome and Auto Insurance Company | Compagnie d'assurance habitation et auto Td |
| Technology Insurance Company Inc. | société d'Assurance Technologie |
| 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 |

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| Travelers Canada | La Compagnie d'Assurance Travelers du Canada |
| 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 |
| u nica Insurance Inc. | u nica assurances inc. |
| u nifund Assurance Company | u nifund, Compagnie d’Assurance |
| u nion Canadienne, compagnie d’assurances | u nion Canadienne, compagnie d’assurances (L’) |
| u nique, compagnie d’assurances générales | u nique Assurances Générales Inc. (L’) |
| u nited General Insurance Corporation | u nited General Insurance Corporation |
| u tica Mutual Insurance Company | Compagnie d’Assurance Mutuelle u tica |
| Virginia s urety Company Inc. | Virginia s urety 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 | s ociété d’assurance Westport |
| Wynward Insurance Group | Wynward Insurance Group |
| XL Insurance Company Ltd. | Compagnie d’assurance XL Limitée |
| XL r einsurance America Inc. | r éassurance XL Amérique |
| Zenith Insurance Company | Compagnie d’Assurance Zénith |
| Zurich Insurance Company | Zurich Compagnie d’Assurances s A |