PACICC

Property and Casualty Insurance
Compensation Corporation

30 YEARS

PACICC

PROTECTING INSURANCE CONSUMERS
SINCE 1989

Insolvency protection for home, automobile
and business insurance customers

2018
Annual Report

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 2018

- Worked closely with IBC to support Finance Canada as it considers how to limit the system-wide risks a catastrophic earthquake could pose to federal P&C insurers. This is an active file. A possible outcome is that PACICC could be authorized to borrow funds from the Federal government to provide liquidity to distressed member insurers in the event of an extreme earthquake.
- Partnered with OSFI on a revised Guide to Intervention for P&C insurers that formalizes the roles of OSFI and PACICC in responding to financially-distressed insurance companies and protecting policyholders. Having previously signed an agreement with AMF, work is progressing on similar agreements with Alberta and B.C. These agreements will give PACICC earlier notice of financial difficulties facing a member insurer.
- Worked with liquidators to close the estates of all insurers that required PACICC to assess member insurers. All eligible claims have been paid. All eligible premiums paid in advance to failed insurers were returned to consumers. More than $21 million of liquidation dividends was returned to members.
- Surveyed member insurers to measure the share of the industry's outstanding claims that are being protected by PACICC, and to assess the impact of potential changes to PACICC's claim limits.
- Conducted a review of PACICC's corporate governance to ensure that it reflects industry best practices. The review resulted in proposed revisions to PACICC's General By-law. Those revisions are being reviewed by provincial insurance regulators. Member insurers are expected to have an opportunity to vote on the proposed By-law amendments at the Annual General Meeting in April.

Contents

- Worked with outside consultants to conduct a search for a successor to PACICC President and CEO Paul Kovacs who retired in early February 2019 after 15 years of outstanding service to the Corporation.
- Published the twelfth paper in our *Why insurers fail* series ("*Lessons learned from the failure of HIH Insurance Limited*") – and distributed the paper to members and other stakeholders.
- Delivered the fifth full-year of programming of PACICC's Risk Officer's Forum, encompassing three in-person networking meetings and three webinars focusing on current and emerging risk issues – supported by a membership of over 500 P&C insurance risk professionals, including a principal contact in each member company.

THIS PAST YEAR WAS ONE OF SIGNIFICANT accomplishment for PACICC. It frequently takes many years to liquidate the estate of an insurance company, but all the insolvencies that have required the Corporation to assess member insurers over the years have now been wrapped up. All eligible claims resulting from these estates have been paid and all unearned premium rebates have been refunded. The final accounting of the estates shows that PACICC collected $68 million in assessments from member insurers to provide liquidity to the estates. Liquidators paid out more than $121 million for claims and the reimbursement of premiums. In total, PACICC refunds to member insurers from these estates total $57 million.

For the industry, 2018 was a year of decreasing profitability. Through the first nine months of the year, Canada's P&C insurers reported lower profits compared to the same nine-month period in 2017. Overall, 2018 P&C third-quarter YTD return on equity was 5.2 percent. This was down 1.8 percent from the 7.0 percent ROE reported one year earlier. The decline in profitability is due to a 10 percent increase in claim costs. Importantly for insurers, claim costs in Canada's auto markets are rising. Auto loss ratios in Ontario, New Brunswick, Nova Scotia and Alberta are approaching levels that are unsustainable.

"All eligible claims resulting from these estates have been paid and all unearned premium rebates have been refunded."

As might be expected, profitability is not uniform across the 175 insurers that reported their financial results – over 50 PACICC members reported negative net income in the first nine months of 2018. These insurers represent one-third of the premiums written to consumers. The key difference between insurers reporting losses and those reporting profits is that claim costs for those reporting losses ballooned by 17 percent, compared to a claim cost increase of 9 percent for those reporting profits. Given that sustained profitability is a vital component for maintaining insurer solvency, PACICC continues to actively monitor the profitability of member insurers.

This past year was a successful year for PACICC in a number of areas:

- PACICC worked closely with IBC to support Finance Canada as it considers how to limit the system-wide risks that a catastrophic earthquake could pose to P&C insurers. The objective of these discussions is to ensure that there will be adequate liquidity for distressed member insurers in the event of an extreme earthquake. Successfully addressing this issue would strengthen the soundness and financial stability of Canada's P&C industry.

- PACICC continued to advance the case for modernizing the *Winding-Up and Restructuring Act* (*WURA*) – the legislation governing the liquidation of failed banks and insurance companies. While modernizing *WURA* is outside the scope of strictly reviewing the Federal *Bank Act* and *Insurance Companies Act*, a compelling argument can be made to include it in the current legislative review because of its role as the resolution mechanism for insolvent banks and insurance companies.
- PACICC published its twelfth paper in its acclaimed *Why insurers fail* research series, "*Lessons learned from the failure of HIH Insurance Limited*." This study examined the sudden and shocking failure of Australia's second-largest P&C insurer in 2001.
- PACICC completed a fifth, successful full-year of operations of its Risk Officer's Forum. The Forum includes a network of over 500 risk professionals from the industry – including CEOs, Presidents and Chief Agents, Chief Risk Officers, CFOs and other senior finance staff from PACICC member companies. Last year saw an active program of in-person meetings, subject-expert speakers and webinars on emerging risk issues. Forum activities continue in 2019 with a robust program of events planned.
- During the year, PACICC carried out an extensive review of its corporate governance practices and several important modifications were approved by the Board.

"... I've had the privilege of working with great Board members and PACICC staff, as the Corporation has become much more capable of fully attaining its overarching goal"

This is my last report as Chair of PACICC. I have been Chair for 4 years and on the Board for 14 years, which is no doubt longer than is generally recommended by the corporate governance specialists. Over that long period, I've had the privilege of working with great Board members and PACICC staff, as the Corporation has become much more capable of fully attaining its overarching goal. I suppose it is not a coincidence that that overarching goal – protecting consumers from undue loss resulting from the insolvency of an insurer – is not very different from the objective of the Department of Insurance (now OSFI), which I joined as a new university recruit in 1966!

As I retire from the PACICC Board, I would like to thank all of my past Board colleagues for their counsel, expertise and service over the years. I extend my thanks to Paul Kovacs for his leadership and many successes as President & CEO of PACICC over the past 15+ years, and wish him great happiness in the years ahead. I welcome Alister Campbell as he assumes the duties of President & CEO of PACICC and wish him great success as he leads the Corporation forward. I'm sure that with its strong leadership by Board members and staff, PACICC will in coming years continue to strengthen its ability to protect Canada's insurance consumers.

I AM DELIGHTED TO BE ASSUMING the leadership of PACICC at such an important time in the history of the organization. We approach the Corporation's 30th anniversary in May with a clean slate – no outstanding or unresolved claims, and no unaddressed concerns or complaints related to the successful resolution of a dozen member insolvencies since our founding. However, we also approach that Anniversary conscious that we need to review and renew core elements of our organization's model – to ensure that we are positioned appropriately to fulfill our mandate in a changed and still changing insurance marketplace.

For the period 2019 to 2021, PACICC's new strategic plan focuses on two key priorities. In 2019, our work will focus on reviewing PACICC's coverage and benefits. In 2020, PACICC will examine liquidation and other resolution options. For 2021, PACICC has a number of priority options that will be considered shortly by the new Board. Critical to the Board's priority setting will be the obligation to ensure that our organization is ready to handle the potential default of one or more larger institutions that fail due to fundamental mis-estimation of risk in the context of a major natural catastrophe event and that a solution is found to properly fund resolution in such a scenario.

Recognizing that insurance company failures can and do occur (albeit rarely), PACICC remains committed to protecting consumer interests and minimizing the costs of any insurer insolvencies. Our goal remains – to maintain a high level of consumer and business confidence in Canada's P&C insurance industry through the financial protection that we provide to policyholders.

"PACICC remains committed to protecting consumer interests and minimizing the costs of any insurance insolvencies."

Reviewing PACICC`s coverage and benefits

PACICC's priority for 2019 is to review the full range of the Corporation's coverage and benefits. This was last done in 2006. Stakeholder consultations will include: member insurers, insurance consumers, regulators and liquidators. We have conducted research to help benchmark best practices of insurance guarantee funds in other jurisdictions. The results of this research will inform our coverage and benefits review this year. The review will focus on three questions:

1. ***What are the appropriate levels for PACICC claim limits?***
   PACICC claim limits were determined in 1989. Adjusting strictly for inflation, the PACICC claim limits for eligible auto, commercial and homeowners' insurance policies have eroded over time. The $250,000 claim limit that PACICC established for auto, homeowners' and commercial insurance in 1989 is equivalent to a limit of $429,697 using 2018 Canadian dollars. PACICC has also benchmarked the Canadian limits internationally. For example, in the United States, the National Association of Insurance Commissions has a model law that sets limits in the U.S. at USD $500,000 for auto, homeowners' and commercial policyholders.

2. ***Should PACICC change or exclude types of insurance coverage?***
   Lines of coverage are defined in Part B of PACICC's Memorandum of Operation. Specific exclusions are detailed in Part C. Important examples of current exclusions include automobile insurance in Manitoba and Saskatchewan, and speciality lines of insurance such as surety, fidelity, marine and aviation. PACICC will consult with member companies, insurance brokers and regulators to determine whether any changes are required to our defined coverages and, if so, what inclusions/exclusions would be appropriate.

3. ***Should PACICC make changes for large commercial consumers?***
   PACICC protects all commercial insurance policyholders up to established claim limits. Some international guarantee funds have sought to focus their benefits on small business owners. PACICC has established a working group of members that write primarily commercial coverage to seek input on possible limits for large commercial insureds.

Liquidation and other resolution options

PACICC's priority for 2020 will be to address any gaps that exist between actual vs. recommended powers for P&C insurance resolution authorities in Canada. This work will address recommendations made by policymakers (including the Financial Stability Board and the International Association of Insurance Supervisors) regarding powers for P&C insurance resolution authorities in Canada.

Since the global financial crisis of 2008, policymakers in Canada and elsewhere have given priority to better resolution planning as a means of mitigating market disruptions caused by failed financial institutions. While much of the discussion has focused on banks, insurance companies have also come under scrutiny – particularly larger firms considered by policymakers to be "systemically important." The completion of intervention guideline agreements with Canada's principal insurance solvency regulators has increased the likelihood of PACICC being called upon to protect policyholders of a troubled member insurer prior to an actual insolvency and thus, in the absence of a Court-ordered liquidation. We will need to work closely with all stakeholders to establish protocols and secure agreement regarding proposed options for PACICC engagement in such scenarios.

"A heartfelt thank you to my predecessor, Paul Kovacs, for his exemplary leadership and tremendous contributions to the success of the Corporation over the past 15+ years."

Conclusion

In closing, there are many individuals to thank. A heartfelt thank you to my predecessor, Paul Kovacs, for his exemplary leadership and tremendous contributions to the success of the Corporation over the past 15+ years. Thank you also to retiring Board Chair Lawrie Savage for his guidance and tireless support over 14 years of service to PACICC – the past four years as Board Chair. I would also like to extend my appreciation to PACICC staff members for their continuing high-quality work. And a special thank you to PACICC Board members for the trust placed in me to guide the organization forward.

As we begin a new chapter in the history of our Corporation, I am conscious that we have real work to do. I am also fully confident that – working closely with industry and regulatory partners – we can evolve the PACICC of today to ensure it can continue to fulfill its mandate in the industry of tomorrow.

PACICC monitors the business environment of Canada's property and casualty insurance industry for two reasons:

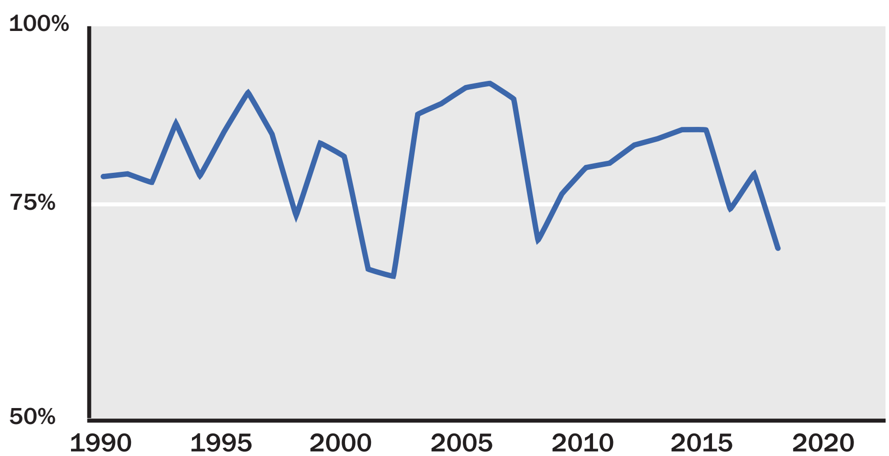
1) To determine the level of solvency risk facing PACICC member insurers.

2) To ensure that PACICC is prepared to play its role in future insolvencies.

Assessing solvency risk facing PACICC member insurers

Fortunately, no Canadian P&C insurer failed in 2018. It has now been more than a decade since an insurer was ordered to be wound up by a Canadian insurance regulator. While this may seem like a long period of calm, it is not uncommon for the insurance industry. There is also growing evidence that the solvency risk facing PACICC's member insurers is rising.

Insurers reporting profits



Source: PACICC based on data from MSA Research

Sustained profitability is vital to maintaining the solvency of insurers and price stability in the insurance marketplace. Retained earnings are the primary source of capital for Canada's P&C insurers. In total, Canada's insurance industry now has more than $47.5 billion in capital – the most the industry has ever reported. A well-capitalized industry provides stability for insurance consumers, promotes competition and attracts new entrants to the market.

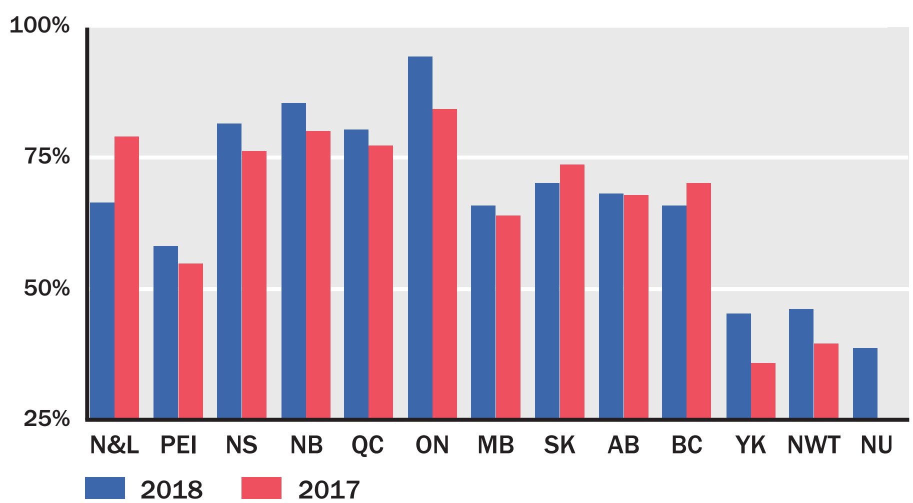
In a competitive industry, it is normal for some PACICC member insurers to report losses in a single period. Over the past 30 years, it is normal for more than 80 percent of insurers to report profits each year. This means that 20 percent of insurers report losses. For most insurers, this is a short-term blip and they quickly rebound to profitability in following quarters. This is a normal part of a competitive market.

PACICC has noticed a troubling trend in industry results since 2016. The number of insurers reporting losses has increased. In 2018, just 68 percent of PACICC's member insurers reported profitability. This is the 3rd year in a row that a higher-than-average number of PACICC member insurers are not profitable. 2018 had the lowest number of profitable companies since the industry's worst years in 2001-02. This trend is not sustainable.

Increased solvency risk in some auto markets

Auto insurance accounts for about one-half of Canada's P&C insurance market. It is a product that has been subject to enormous swings in profitability, and subject to constant reforms over the past 20 years. The Ontario auto product, which accounts for more that 25 percent of the industry's total premiums, appears to be unprofitable in 2018. Auto insurance is also under review in Newfoundland and Labrador and New Brunswick. History suggests that government intervention will be required before the product returns to profitability. Questions abound on the timing, type and sustainability of the latest round of reforms. Until auto insurance reforms are enacted, the industry's solvency risk will be elevated.

Auto loss ratios



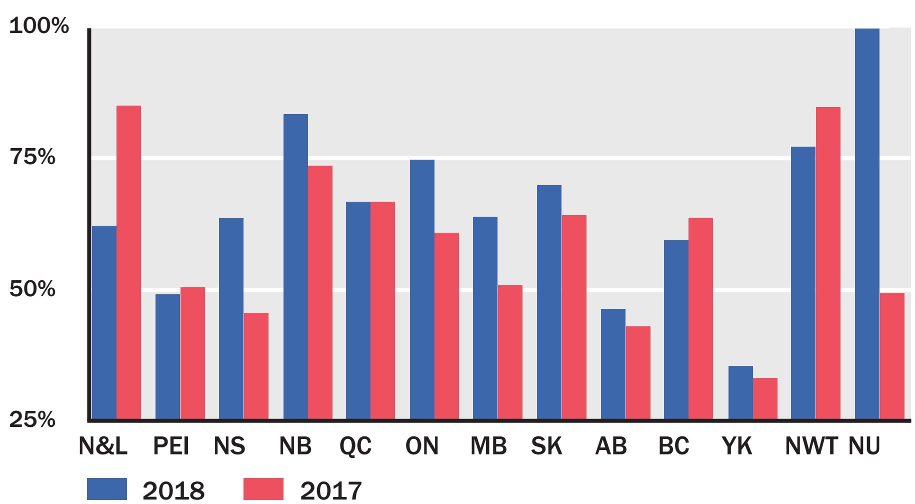
Source: PACICC based on data from MSA Research

Auto insurance in Newfoundland and Labrador is another source of concern. The province did not introduce the same reforms as the other provinces in Atlantic Canada. Claims costs are rising faster than premiums. There are no signs that product reform is being considered in the near term. The Newfoundland and Labrador market is currently unprofitable and is eroding the capital base of insurers. Solvency risk may therefore be elevated for insurers selling auto insurance in Newfoundland and Labrador.

Property markets

Most of the personal property markets remain healthy in 2018, providing a secure source of earnings and capital for insurers. Maintaining a healthy, profitable homeowners' insurance marketplace is important for the Canadian economy.

PP loss ratios



Source: PACICC based on data from MSA Research

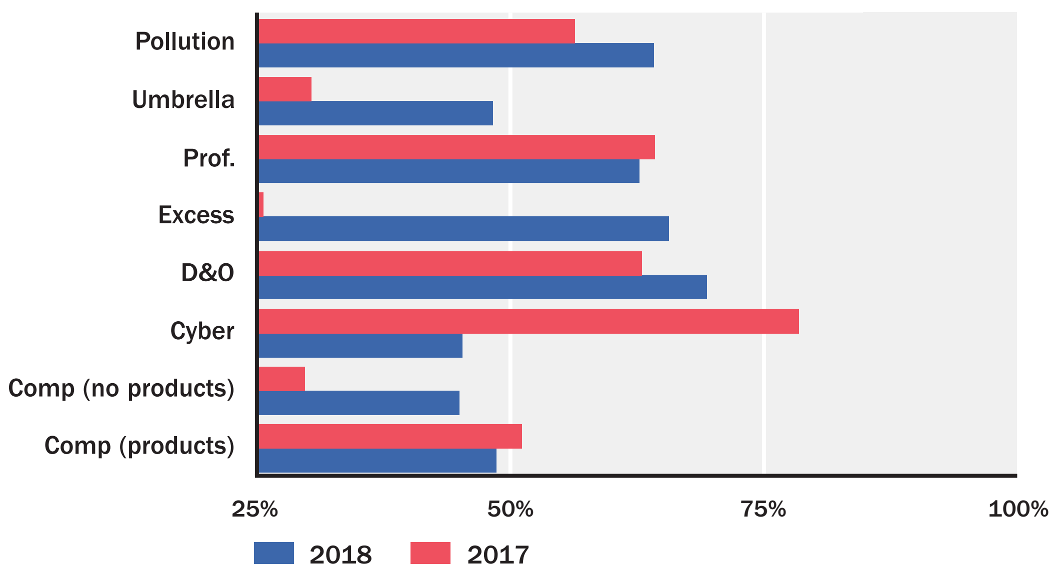
There are some homeowners' insurance markets in Canada, however, where claims costs over the past seven years (the length of an average insurance cycle in Canada) exceeded 70-75 percent of the premiums collected. Claims costs at these levels yield unprofitable markets for insurers and represent a drain on capital. When results deteriorate, insurers must raise rates and adjust coverage in order to match premiums collected with expected claims paid. Adjustments like this are required to maintain the long-term stability of these markets.

A wild card in the personal property market is the long-run trend of increasingly frequent and severe natural catastrophes. Over the past decade, it has become normal for insurance claims resulting from natural disasters in Canada to exceed $1 billion annually. The problem is not so much that catastrophic losses are occurring. Rather, it is the fact that for insurers the 2016 wildfire was four to five times larger than the industry's expected worst-case wildfire. The magnitude of this loss is a warning that losses from natural disasters can greatly exceed expectations.

Insurers must anticipate the costs associated with urban flooding, wildfire and other severe weather risks to properly factor them into the pricing of their products. While increasingly frequent and severe weather catastrophes present a yearly earnings challenge for the industry, they are not considered to be a threat to industry solvency, unlike the catastrophic risk posed by a major earthquake.

Commercial Lines

Liability loss ratios



Source: PACICC based on data from MSA Research

Most commercial liability markets across Canada were profitable in 2017. Canada's commercial insurance market is very competitive and, in 2018, appears to be profitable which has allowed the capital bases of commercial insurers to grow. The most significant source of solvency risk in the commercial insurance market is the introduction of new insurance products such as cyber and other related coverages coupled with the challenges of underwriting and pricing these exposures profitably. This is critical as PACICC's research into why insurers fail has consistently found that inadequate pricing and reserving is the primary cause of insurance insolvencies.

Assessing PACICC's preparedness

There are two factors, over the past three years, that have enhanced PACICC's preparedness for a future insolvency.

Regulatory Intervention Guides

In 2016, PACICC's Board of Directors established the Pre-Insolvency Regulatory Liaison Committee consisting of PACICC's independent Directors. The mandate of this group is to provide a forum for confidential discussions with regulators should the need arise.

The Autorité des marchés financiers released its new Intervention Guide in 2016. In 2018, OSFI released its new Guide to Intervention for Federally Regulated Property and Casualty Insurance Companies. In both documents the key role of PACICC is spelled out clearly. This is an important milestone for PACICC. Working with regulators to clarify the roles and responsibilities prior to a future insolvency benefits Canadian insurance consumers.

The most important difference between the new P&C Intervention Guides and the older versions is that, when a PACICC member insurer becomes distressed, PACICC will now have discussions with these regulators at an earlier point in the process and have greater access to information than was available in previous insolvencies.

Unencumbered assessment capacity

All member insurers that were put into wind-up by their regulator and required PACICC involvement to assess insurers have now been resolved. There are no outstanding or unresolved claims. PACICC's involvement in the Reliance insolvency included a potential liability to protect the estate should a negative development occur. This potential draw on PACICC's assessment capacity disappeared when the estate closed.

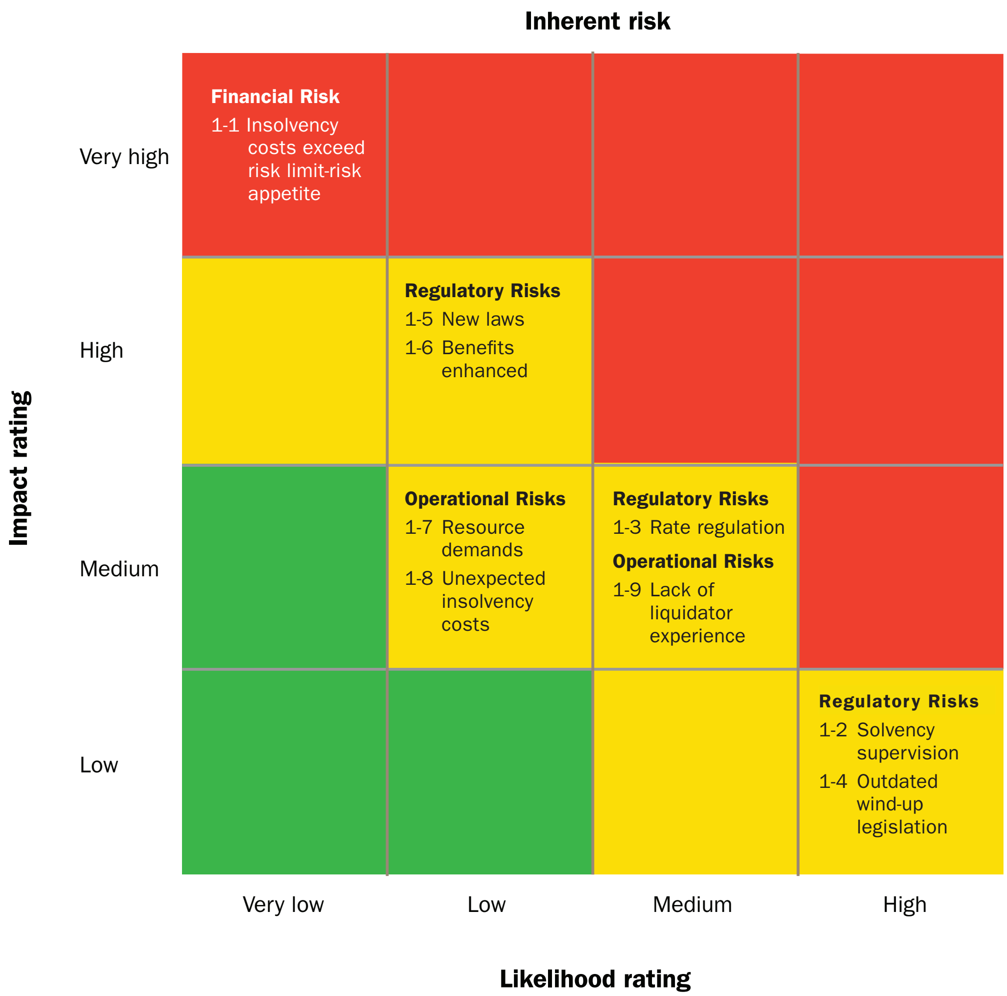
Looking ahead

Most PACICC member insurers have a healthy capital base supporting their operations. While significant variations in profitability and capital strength exist among companies, industry-wide measures show that the great majority of Canada's P&C insurers are well capitalized and prepared to face a challenging future.

Enterprise Risk Management

PACICC's risk profile was stable at the time of issuing this Annual Report (April 2019). We define our risk profile as the priority risks identified by the Corporation. There are nine such risks, as summarized in the accompanying risk profile grid.

Risk Profile Grid (as at April 2019)



Only one of these risks is considered by PACICC to be severe enough to prevent the Corporation from fulfilling its obligations to policyholders were it to occur. This is the risk that a catastrophic earthquake (or other disruptive event) causes a large member insurer to fail, or leads to multiple, smaller insurer insolvencies (see Risk 1-1). The result could be estimated insolvency costs exceeding PACICC's risk limit-risk appetite (set by the Board of Directors at twice our annual general assessment capacity – currently $1.7 billion). The inability to fulfill obligations to policyholders in a timely manner could damage not only the reputation of PACICC, but that of the P&C insurance industry. That's why mitigating this particular risk is a top priority for PACICC.

PACICC's priority risks (risk profile)

1-1 A catastrophic earthquake or other factor causes a very large insurer to fail, or leads to multiple, smaller insolvencies; resulting insolvency costs exceed PACICC's risk limit-risk appetite (twice our annual general assessment capacity)

1-2 Supervisory practices below minimum IAIS standards

1-3 Rate regulation causes insolvency

1-4 Outdated winding-up legislation

1-5 Adverse changes in insurance legislation

1-6 PACICC could be forced to increase coverage and benefits

1-7 Risk 1-1 places extraordinary demands on human resources

1-8 Lack of member financial data results in unexpected insolvency costs

1-9 Much of Canada's accumulated P&C liquidation expertise has "retired"

The Government of Canada is currently considering "how to limit the system-wide risks an extreme earthquake could pose to federal P&C insurers." PACICC is working in partnership with the Insurance Bureau of Canada (IBC) to address this risk, specifically discussing the potential for the Federal Government to provide a backstop loan to PACICC following a catastrophic earthquake. The loan would be used by PACICC to pay the eligible claims of policyholders of any member insurers that failed due to the earthquake – instead of forcing PACICC to rely on our general assessment mechanism and possibly causing financial contagion in the industry. The current PACICC-IBC proposal would see the industry repaying the loan over time by means of some form of special levy on future premiums. This is the model underpinning the most recent discussions with Finance Canada.

While this is a sound plan – and PACICC believes progress is being made – the magnitude of the risk involves significant costs and complexities. It will take time to implement. And stakeholders should note that the residual risk remains with PACICC and the P&C industry until an effective solution is found.

PACICC's complete Risk Management Report – including our entire risk register – is posted on the Corporation's website at www.pacicc.ca.

Risk Officer's Forum

PACICC's P&C Risk Officer's Forum completed its fifth full-year of successful operations in 2018. The Forum has attracted a broad base of membership among Canadian P&C risk professionals and Chief Risk Officers; supported by a robust, well-planned program of in-person meetings and webinars focusing on emerging industry issues and risks. Feedback received from members through follow-up evaluations has been very positive. From PACICC's viewpoint, the Forum is achieving all of its objectives.

Risk Officer's Forum Mandate:

- Discuss and share risk management best practices within industry;
- Review and communicate topical risk management information;
- Serve as a risk management resource for PACICC and for insurance regulators;
- Discuss major existing risks and significant emerging risks within the industry; and
- Provide resources, references and information to facilitate research of risk management and related governance topics.

2018 Event Dates and Discussion Topics

Forum Meetings:

• April 5	OSFI Update on Industry Issues
• September 5	IFRS 17 Insurance Contracts
• October 31	CEO Perspective on ERM

Emerging Risks Webinars:

• February 21	Climate Change
• May 16	Legalized Access to Marijuana
• October 25	Artificial Intelligence and Machine Learning

2019 Event Dates and Discussion Topics

Forum Meetings:

• April 3	OSFI Update on Current Industry Issues
• September 4	Role of the Provincial Regulator
• November*	CEO Perspective on ERM (*date to be announced)

Emerging Risks Webinars:

• February 20	A Conversation with Insurers Regarding Risk Identification
• May 15	Psychology of Cyber Security Protection
• October 16	Product Innovation

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

Opinion

We have audited the financial statements of the Property and Casualty Compensation Corporation (the Entity), which comprise:

- the statement of financial position as at end of 31 December 2018
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at end of 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 7, 2019
Toronto, Canada

Statement of Financial Position

December 31, 2018, with comparative information for 2017
In thousands of dollars

	2018	2017
Assets		
Cash (note 7)	$23,348	$22,637
Investments (note 7)	54,365	53,870
Accrued interest	206	193
Assessment receivable	34	3
Other receivables	54	58
Total assets	**$78,007**	**$76,761**

Liabilities and Equity

	2018	2017
Liabilities:		
Trade and other payables	$359	$138
Provisions (note 6)	–	39
Total liabilities	359	177
Equity:		
Operations surplus	1,476	1,657
Liquidation surplus	21,098	20,822
Compensation Fund	55,074	54,105
Total equity	77,648	76,584
Total liabilities and equity	**$78,007**	**$76,761**

See accompanying notes to financial statements.

On behalf of the Board:

Lawrie Savage, *Board Chair*

Bruce Thompson, *Director*

Statement of Comprehensive Income

Year ended December 31, 2018, with comparative information for 2017
In thousands of dollars

	2018	2017
Revenue from operations:		
Members assessments	$1,444	$1,431
Investment income	37	20
Funding from liquidations and others	163	179
	1,644	1,630
Expenses:		
Salaries and benefits	925	803
Research and other consulting	278	206
Premises	171	153
Investment management	85	85
Board of Directors	79	69
Legal fees	34	34
Corporate secretary and accounting services	45	45
Travel	48	82
Telephone and postage	19	20
Furniture and equipment	42	27
Printing and office supplies	23	26
Insurance	14	15
Bank	5	1
Miscellaneous	57	67
	1,825	1,633
Excess of expenses over revenue – operations	(181)	(3)
Liquidations: (note 5(b)):		
Investment income	370	194
Other expense	(94)	(130)
Excess of revenue over expenses – liquidations	276	64
Compensation Fund:		
Investment income	969	960
Excess of revenue over expenses – Compensation Fund	969	960
Total comprehensive income	**$1,064**	**$1,021**

All income is attributable to members.

See accompanying notes to financial statements.

Statement of Changes in Equity

Year ended December 31, 2018, with comparative information for 2017
(In thousands of dollars)

	Operations surplus	Liquidation surplus	Compensation Fund	Total
Balance, December 31, 2016	$1,660	$20,758	$53,145	$75,563
Comprehensive income (loss)	(3)	64	960	1,021
Balance, December 31, 2017	1,657	20,822	54,105	76,584
Comprehensive income (loss)	(181)	276	969	1,064
Balance, December 31, 2018	**$1,476**	**$21,098**	**$55,074**	**$77,648**

See accompanying notes to financial statements.

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017
(In thousands of dollars)

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses:		
Operations	$ (181)	$ (3)
Liquidations	276	64
Compensation Fund	969	960
Amortization of bond premium and discount	126	319
Change in accrued interest	(13)	61
Change in receivables	(27)	(11)
Change in trade and other payables and provisions	182	(134)
Cash provided by operating activities	1,332	1,256
Investing activities:		
Maturity of investments	17,673	12,296
Purchase of investments	(18,294)	(13,955)
Cash used in investing actvities	(621)	(1,659)
Increase (decrease) in cash	771	(403)
Cash, beginning of year	22,637	23,040
Cash, end of year	**$23,348**	**$22,637**

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, 2018 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 ("IASB").

The financial statements for the year ended December 31, 2018 have been approved for issue by the Board of Directors on March 7, 2019.

(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. Investment income is received in the Liquidation fund on the assets held within that Fund. From time to time, liquidation dividends are received into that Fund when liquidators have excess cash upon winding down of a liquidation of an insurance entity.

(c) Basis of measurement:

The basis of measurement is historical cost except for bonds which are measured at amortized cost using the effective interest rate method net of impairment and short term investment which are measured at fair value through profit and loss.

(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 fair value.

(b) Financial instruments:

Effective January 1, 2018, the Corporation has adopted IFRS 9, Financial Instruments standard. IFRS 9 includes three principal classification categories for financial assets - amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). The classification is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity investments, loans and receivables and available for sale.

IFRS 9 replaces the incurred loss model in IAS 39 with a forward looking expected credit loss model. The new impairment model applies to financial assets measured at amortized cost, FVOCI and lease receivables.

The Corporation used to measure its bond portfolio as held to maturity under IAS 39 measuring it at amortized cost using the effective interest rate method. From January 1, 2018 the Corporation classified its financial assets, as measured at amortized cost. The financial assets are initially recognized at the fair value at inception and subsequently measured at amortized cost using the effective interest rate method. Therefore there has been no change in valuation.

The Corporation has not restated the prior year comparatives on transition as permitted by IFRS 9. There have been no adjustments necessary to the opening retained earnings of the current year as there were no valuation adjustments. The new classification adopted by the Corporation has been carried out after evaluation of the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- It is held within a business model whose objective is to hold assets and to collect contractual cash flows: and
- Its contractual terms give rise to specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Corporation has assessed the business model and in doing so has considered:

- The stated policies and objectives of the Corporation which is not for profit in nature:
- The performance of the portfolio and how the performance is evaluated;
- The frequency, volume and timing of sale of the bonds in the prior periods.

The Corporation has concluded that the financial assets are held to collect contract cash flows with no intention to carry our regular trading of such assets.

2. Significant accounting policies (continued):

(i) Assessment of whether cash flows are solely payments of principal and interest:
For the purposes of this assessment principal is defined as the fair value of the financial assets on initial recognition. However, this principal may change over time e.g. if there are repayments of the principal.

Interest is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks.

In assessing whether the contractual cash flows are solely payments of principal and interest the Corporation considered the contractual terms of the instrument. In making this assessment the Corporation considered:

- Contingent events that could change the amount or timing of cash flows;
- Leverage features;
- Prepayment and extension features;
- Terms that may limit the Corporation's claim to the cash flows; and
- Features that modify consideration of the time value of money.

Taking the above factors into account, the Corporation has concluded that the financial assets all meet the solely payments of principal and interest criteria.

(ii) Impairment:
From January 1, 2018, the Corporation assesses on a forward looking basis the expected credit loss ("ECL") associated with its debt instruments measured at amortized cost. IFRS 9 requires that the ECL is based on assessing the probability of default and the loss given the default has occurred.

Financial assets held at amortized cost or being measured through FVOCI are required to be assessed for impairment. IFRS 9 requires the impairment to be divided into two broad buckets being the 12 month expected credit loss and the life time expected credit loss. Entities are generally required to recognize impairment in the 12 month expected credit loss category unless there is a significant increase in credit risk in which case they are required to recognize the lifetime expected credit loss amount for the particular asset.

The Corporation has evaluated its bond portfolio and adopted the low credit risk exception for financial assets permitted by IFRS 9 which exempts recognition of the lifetime expected credit loss (impairment).

The credit risk can be deemed low if:

- The instrument has a low risk of default:
- The borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic business conditions in the longer term may, but will not necessarily reduce the borrower's ability to fulfil its obligations.

As can be seen in note 13, the Corporation invests in investment grade securities and these are externally rated.

The Corporation had adopted the simplification permitted for trade receivables which permits recognition of expected lifetime credit loss to be recognized from initial recognition. The trade receivables in this set of financial statements do not contain any significant financing component.

(iii) 12-month expected credit losses:
The 12-month expected credit loss is defined as the portion of lifetime expected credit loss that represents the expected credit loss that result from default events on the financial instrument that are possible within the 12-months after the reporting date.

The Corporation has defined default events as the failure to make contractual coupon and principal payments.

(iv) Financial liabilities:
Financial liabilities are initially recognized at fair value at inception and subsequently recognized at amortized cost using the effective interest rate method. There is no significant financing component and therefore there is no impact of time value of money.

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) 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.

(d) 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.

(e) 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.

2. Significant accounting policies (continued):

(f) IFRS 15, Revenue from Contracts with Customers ("IFRS 15"):

The Corporation has not restated the prior year comparatives on transition as permitted by IFRS 9. There have been no adjustments necessary to the opening retained earnings of the current year as there were no valuation adjustments. The new classification adopted by the Corporation has been carried out after evaluation of the business model.

(i) Member assessments:

All provinces and territories have enacted legislation or passed regulation, making it a condition for being licensed that P&C insurers enters into a contract of membership with the Corporation. This membership cannot be cancelled by either the P&C insurer or PACICC and will only lapse 6 months after the license for insurance is revoked or cancelled for the insurer by the relevant authority. This membership is the contract with the various P&C insurers for the Corporation. As part of this membership, assessment fees are paid by the members to the Corporation. Member assessments are recognized as income when due on a quarterly basis. 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:

In certain instances, post liquidation, dividends are received when excess funds remain from the liquidation process. 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:

IFRS 16, Leases ("IFRS 16"):

On January 13, 2016, the IASB issued IFRS 16. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, Leases ("IAS 17"). This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Corporation intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The financial reporting impact of adopting IFRS 16 is being considered by the Corporation.

4. General and designated funds:

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

(a) Operations 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, all of which was recognized prior to 2014. Claims paid to date by the liquidator total $21,176,272 and liquidation dividends of $15,485,074 have been received to date, of which $102,765 was recognized in 2015. Provisions of nil (2017 - nil) 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 $3,757,412 have been received to date. Claims paid to date by the Corporation total $4,740,480. This company has been fully wound up and the court has discharged the liquidator.

(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. Liquidation dividends received to date total $5,731,578 of which nil was received in 2018.

(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, all of which was received prior to 2014. The total claims paid to date by the Corporation amount to $23,464,659. 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 2013, the 2008 undistributed funds of $75,148 were transferred to the Compensation Fund (note 8(d)).

(In thousands of dollars)

4. General and designated funds (continued)

(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 $6,173,061 have been received to date of which Nil was received in 2018. 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.

(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 2011 (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, 2018:

	Operations	Compensation	Liquidation refund	Canadian Millers'	GISCO	Maplex	Hiland	Beothic	Canadian Universal	Ontario General	Advocate	Markham General	Total
Assets													
Cash	$1,497	$544	$ –	$1,108	$2,842	$ –	$2,465	$282	$854	$630	$16	$13,110	$23,348
Investments	–	54,365	–	–	–	–	–	–	–	–	–	–	54,365
Accrued interest	3	165	–	2	5	–	5	–	1	2	–	23	206
Interfund receivable	179	–	–	–	–	–	–	–	–	–	–	–	179
Other receivables	88	–	–	–	–	–	–	–	–	–	–	–	88
Total assets	**$1,767**	**$55,074**	**$ –**	**$1,110**	**$2,847**	**$ –**	**$2,470**	**$282**	**$855**	**$632**	**$16**	**$13,133**	**$78,186**
Liabilities and Equity													
Liabilities:													
Trade and other payables	$291	$ –	$ 68	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$359
Interfund payables	–	–	–	4	20	–	13	23	3	3	16	97	179
Total liabilities	291	–	68	4	20	–	13	23	3	3	16	97	538
Equity:													
Operations surplus	1,476	–	–	–	–	–	–	–	–	–	–	–	1,476
Liquidation surplus	–	–	(68)	1,106	2,827	–	2,457	259	852	629	–	13,036	21,098
Compensation surplus	–	55,074	–	–	–	–	–	–	–	–	–	–	55,074
Total equity	1,476	55,074	(68)	1,106	2,827	–	2,457	259	852	629	–	13,036	77,648
Total liabilities and equity	**$1,767**	**$55,074**	**$ –**	**$1,110**	**$2,827**	**$ –**	**$2,470**	**$282**	**$855**	**$632**	**$16**	**$13,133**	**$78,186**

5. Operating, Compensation and Liquidation Fund information (continued):

(b) Revenue and expenses from liquidations for the year ended December 31, 2018:

	Liquidation refund	Canadian Millers'	GISCO	Maplex	Hiland	Beothic	Canadian Universal	Ontario General	Advocate	Markham General	Total
Revenue:											
Investment	$ –	$19	$50	$ –	$43	$5	$14	$11	$ –	$228	$370
Expenses:											
Expenses	69	3	(15)	–	(15)	10	–	–	–	42	94
Net results from liquidations	**$(69)**	**$ 16**	**$65**	**$ –**	**$58**	**$(5)**	**$14**	**$11**	**$ –**	**$186**	**$276**

(c) Changes in liquidation surplus for the year ended December 31, 2018:

	Liquidation refund	Canadian Millers'	GISCO	Maplex	Hiland	Beothic	Canadian Universal	Ontario General	Advocate	Markham General	Total liquidation surplus
Balance, December 31, 2016	$50	$1,084	$2,744	$ –	$2,382	$273	$829	$612	$ –	$12,784	$20,758
Comprehensive income (loss)	(49)	6	18	–	17	(9)	9	6	–	66	64
Balance, December 31, 2017	1	1,090	2,762	–	2,399	264	838	618	–	12,850	20,822
Comprehensive income (loss)	(69)	16	65	–	58	(5)	14	11	–	186	276
Balance, December 31, 2018	**$(68)**	**$1,106**	**$2,827**	**$ –**	**$2,457**	**$259**	**$852**	**$629**	**$ –**	**$13,036**	**$21,098**

6. Provisions:

		Liquidations				
	Unclaimed refunds	GISCO	Maplex	Hiland	Markham General	Total
Balance, December 31, 2016 and 2017	$ –	$21	$ –	$18	$ –	$39
Reversal of provision for unclaimed funds	–	(21)	–	(18)	–	(39)
Balance, December 31, 2018	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**

7. Financial instruments:

Carrying values and fair values:

	2018		2017	
	Carrying value	Fair value	Carrying value	Fair value
Cash	$23,348	$23,348	$22,637	$22,637
Short-term investments	5,527	5,527	5,467	5,432
Bonds	48,838	48,784	48,403	48,214
	$77,713	**$77,659**	**$76,507**	**$76,283**

Cash, short term deposits and bonds are recorded at amortized cost. The 12-month expected credit loss recognized is $150,500.

There have been no changes in classification from amortized cost to FVOCI or FVPTL.

As noted in the accounting policy, the Corporation uses the exception permitted in IFRS 9 in relation to recognising 12 month expected credit loss for its financial assets as they are deemed to be low credit risk. Please refer to note 13.

(a) Short-term investments:

These investments have an aggregate carrying value of approximately $5,527,000 (2017 - $5,467,000). Short-term investments consist primarily of federal government short-term instruments with a maximum term to maturity of one year in an institutional pool of assets.

(In thousands of dollars)

7. Financial instruments: (continued)

(b) Bonds:

	Remaining term to maturity			December 31, 2018		December 31, 2017	
	Within 1 year	1 to 5 years	Over 5 years	Total carrying amount	Effective rates	Total carrying amount	Effective rates
Government	$5,346	$28,113	$ –	$33,459	1.60% - 5.45%	$31,505	1.60% - 5.45%
Corporate	4,666	10,713	–	15,379	1.67% - 4.81%	16,898	1.67% - 4.81%
	$10,012	**$38,826**	**$ –**	**$48,838**	**1.60% - 5.45%**	**$48,403**	**1.60% - 5.45%**

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.

(e) During 2014, the Board of Directors approved the transfer of the remaining funds of Maplex ($22,000) and Advocate ($6,000) liquidations to the Compensation Fund, as these liquidations have been wound-up and the amounts were deemed immaterial to distribute to membership.

(f) During 2017, provisions for unclaimed dividends of $74,283 were reversed. This along with undistributed dividends of $47,432 remaining in the Liquidation fund were transferred to the Compensation Fund ($121,715).

9. Assessment capacity:

PACICC has the ability to make a maximum potential annual general assessment of members of 1.5% (2017 - 1.5%) of covered premiums written, which amounted to approximately $903,865,500 in 2018 (2017 - $848,700,000). A loan arrangement with the liquidators of Canadian Millers', $3,000,000 of this assessment capacity was reserved for any possible obligations of the Canadian Millers' liquidation. As the company had been fully wound-up and the liquidator has been discharged by the court, this loan arrangement no longer exists.

10. Equipment:

As at December 31, 2018, any equipment acquired by the Corporation had been fully amortized.

11. Commitments and contingencies:

(a) Legal:

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.

(b) Lease:

In 2017, the Corporation renewed its lease for office premises commencing January 1, 2018 for a period of five years ending December 31, 2022. The annual lease commitment is $68,563.

(c) Future Refunds to Member Companies:

On November 8, 2018, PACICC's Board of Directors approved the refunding of available dividends from Miller, GISCO, Hiland, Beothic, Canadian Universal, Ontario General and Markham General liquidations all of which have been discharged and there are not further claims to be paid. PACICC has retained a third party to assist in determining the distribution to ensure transparency. The distribution of these dividends will take place in early 2019.

12. 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.

12. Fair value disclosure (continued):

(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	48,784
Level 3	–
	$48,784

13. Financial risk management:

(a) Credit risk:
Credit risk refers to the risk of financial loss from the failure of a counter party 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:

	2018		2017	
Credit rating	Carrying value	Percentage of portfolio	Carrying value	Percentage of portfolio
AAA	$28,386	58.1%	$26,835	55.4%
AA	9,121	18.7%	8,789	18.2%
A	9,261	19.0%	9,761	20.2%
BAA	469	1.0%	481	1.0%
BBB	1,601	3.2%	2,537	5.2%
Total	**$48,838**	**100%**	**$48,403**	**100%**

(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, 2018, 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 $1,253,750 (2017 - $1,055,880).

(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 $903,865,500 in 2018 (2017 - $848,700,000).

14. 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:

	2018	2017
Directors' fees	$69	$67
Salaries	709	618
Other benefits	79	76
	$857	**$761**

2017/18 Board

Lawrie Savage
Chair
President
Lawrie Savage & Associates Inc.

Andrew Cartmell
President and CEO
Saskatchewan Government Insurance

Louis Durocher
President and CEO
Heartland Farm Mutual Inc.

Don Fox
Executive Vice President
Intact Financial Corporation

Glenn Gibson
President and CEO
The GTG Group

Paul Kovacs
President and CEO
PACICC

Heather Masterson
President and CEO
Travelers Canada

Lynn Oldfield
President and CEO
AIG Insurance Company of Canada

Bruce Thompson
Consultant

Pete Walker
Chief Technical Underwriter
Aviva Canada Inc.

Board Committees

Audit and Risk
Bruce Thompson (Chair)
Louis Durocher
Don Fox
Heather Masterson
Lawrie Savage

Governance and Human Resources
Lawrie Savage (Chair)
Andrew Cartmell
Glenn Gibson
Lynn Oldfield
Pete Walker

Pre-Insolvency Regulatory Liaison
Lawrie Savage (Chair)
Glenn Gibson
Paul Kovacs
Bruce Thompson

Staff 2017-2018

Paul Kovacs
President and Chief Executive Officer

Full-time staff

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

Ian Campbell
Vice President, Operations

Tracy Waddington
Director, Administration

Denika Hall
Administrator

Contract and part-time staff

Jim Harries
Special Advisor, Governance and Risk

Randy Bundus
Corporate Counsel

***John Connor**
Manager, Claims

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

*Retired from PACICC in 2018.

Provincial regulators

British Columbia
Frank Chong
Acting Superintendent, Financial Institutions
Financial Institutions Commission of British Columbia
555 West Hastings Street, Suite 2800
Box 12116
Vancouver, British Columbia V6B 4N6
Tel: (604) 653-7495
Fax: (604) 660-3365
www.ficombc.ca

Alberta
Paul Owens
Superintendent of Insurance
Alberta Treasury Board and Finance
Financial Sector Regulation and Policy (FSRP)
402 Terrace Building
9515 – 107 Street
Edmonton, Alberta T5K 2C3
Tel: (780) 427-8322
Fax: (780) 420-0752
www.finance.alberta.ca

Saskatchewan
Ian McIntosh
Deputy Superintendent of Insurance
Financial and Consumer Affairs Authority of Saskatchewan
1919 Saskatchewan Drive, Suite 601
Regina, Saskatchewan S4P 4H2
Tel: (306) 787-6700
Fax: (306) 787-9006
www.fcaa.gov.sk.ca

Manitoba
J. Scott Moore
Deputy Superintendent for Insurance
Financial Institutions
Regulation Branch
207 – 404 St. Mary Avenue
Winnipeg, Manitoba R3C 4K5
Tel: (204) 945-2542
Fax: (204) 948-2268
www.mbfinancialinstitutions.ca

Ontario
Brian Mills
Interim Chief Executive Officer and Superintendent of Financial Services
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

Québec
Patrick Déry
Superintendent of Solvency
Autorité des marchés financiers
2640, boulevard Laurier 6e étage
Québec, Québec G1V 5C1
Tel: (418) 525-0337
Fax: (418) 525-9512
www.lautorite.qc.ca

Nova Scotia
William Ngu
Superintendent of Insurance, Credit Unions and Trust and Loan Companies
Nova Scotia Department of Finance and Treasury Board, Financial Institutions Division
Office of the Superintendent of Insurance
P.O. Box 2271
Halifax, Nova Scotia B3J 3C8
Tel: (902) 424-7552
Fax: (902) 424-1298
www.novascotia.ca/finance

Prince Edward Island
Robert Bradley
Superintendent of Insurance
Department of Justice and Public Safety
105 Rochford Street
P.O. Box 2000
Charlottetown, PEI C1A 7N8
Tel: (902) 368-4550
Fax: (902) 368-5283
www.princeedwardisland.ca

New Brunswick
Angela Mazerolle
Superintendent of Insurance
Financial and Consumer Services Commission
225 King Street, Suite 200
Fredericton, New Brunswick E3B 1E1
Tel: (886) 993-2222
Fax: (506) 658-3059
www.fcnb.ca

Newfoundland and Labrador
Renee Dyer
Superintendent of Insurance
Financial Services Regulation Division Service NL
Government of Newfoundland and Labrador
Confederation Building, 2nd Floor,
West Block, P.O. Box 8700
St. John's, Newfoundland A1B 4J6
Tel: (709) 729-4909
Fax: (709) 729-3205
www.servicenl.gov.nl.ca

Northwest Territories
Louise Lavoie
Assistant Comptroller General
Accounting Services Management
Government of Northwest Territories
P.O. Box 1320, YK-3
Yellowknife, NT X1A 2L9
Tel: (867) 767-9171
Fax: (867) 873-0269
www.fin.gov.nt.ca

Yukon
Marni Bramabat
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.community.gov.yk.ca

Nunavut
Sean Michel Clark
Superintendent of Insurance
Department of Finance
Government of Nunavut
P.O. Box 2260
Iqaluit, Nunavut X0A 0H0
Tel: 1 (800) 316-3324
Fax: 1 (867) 979-4221
www.gov.nu.ca

Federal regulator

OSFI
Jeremy Rudin
Superintendent
Office of the Superintendent of Financial Institutions
255 Albert Street, 12th Floor
Ottawa, Ontario K1A 0H2
Tel: (613) 990-7788
Fax: (613) 990-5591
www.osfi-bsif.gc.ca

Affiliated FM Insurance Company	Corporation d’Assurances Affiliated FM
AIG Insurance Company of Canada	Compagnie d’Assurance AIG du Canada
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.
Allied World Specialty Insurance Company	Compagnie d’assurance de spécialité Allied World
Allstate Insurance Company of Canada	Allstate du Canada, Compagnie d’Assurance
Alpha, compagnie d’assurances Inc.	ALPHA, compagnie d’assurances inc. (L’)
American Agricultural Insurance Company	American Agricultural Insurance Company
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 Ltd.	Compagnie d’assurance Arch ltée
Ascentus Insurance Ltd.	Assurances Ascentus ltée (Les)
Aspen Insurance U.K. Ltd.	Compagnie d’assurance Aspen UK
Associated Electric & Gas Insurance Services Ltd.	Services d’assurance associés électricité et gaz
Assurance Mutuelle des Fabriques de Québec	Assurance Mutuelle des Fabriques de Québec (L’)
AssurePro Insurance Company Limited	AssurePro Insurance Company Limited
Atlantic Insurance Company Ltd.	Atlantic Insurance Company Ltd.
Aviva General Insurance Company	Aviva Compagnie d’Assurance Générale
Aviva Insurance Company of Canada	Aviva, Compagnie d’Assurance du Canada
AXA Insurance Company	AXA Assurances
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 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, General Insurance Company Inc.	Canassurance, compagnie d’assurances générales inc.
Capitale Financial Group Inc. (La)	Capitale groupe financier inc. (La)
Carleton-Fundy Mutual Insurance Company	Carleton-Fundy Mutual Insurance Company

Certas Direct Insurance Company	Certas direct, compagnie d’assurances
Certas Home and Auto Insurance Company	Certas, compagnie d’assurances habitation et auto
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
Continental Casualty Company	Compagnie d’assurance Continental Casualty (La)
Co-operators General Insurance Company	Compagnie d’Assurance Générale Co-operators (La)
CorePointe Insurance Company	Compagnie d’Assurance CorePointe (La)
Coseco Insurance Company	Compagnie d’Assurance Coseco
CUMIS General Insurance Company	Compagnie d’Assurance Générale CUMIS (La)
Desjardins General Insurance Inc.	Desjardins Assurances Générales Inc.
Dominion of Canada General Insurance Company (The)	Compagnie d’assurance générale Dominion du Canada
Ecclesiastical Insurance Office PLC	Société des Assurances Ecclésiastiques
Echelon Insurance	Échelon Assurance
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
Esurance Insurance Company of Canada	Esurance du Canada, Compagnie d’Assurance
Everest Insurance Company of Canada	Compagnie d’Assurance Everest du Canada (La)
Factory Mutual Insurance Company	Factory Mutual Insurance Company
FCT Insurance Company Ltd.	Compagnie D’Assurances FCT Ltée
Federal Insurance Company	Compagnie d’assurances Fédérale
Federated Insurance Company of Canada	Federated, compagnie d’assurances 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
General Reinsurance Corporation	General Reinsurance Corporation
Germania Mutual Insurance Company	Germania Mutual Insurance Company
GMS Insurance Inc.	GMS Insurance Inc.
Gore Mutual Insurance Company	Gore Mutual Insurance Company
Great American Insurance Company	Compagnie d’Assurance Great American
Groupe Estrie-Richelieu, Compagnie d’assurance (Le)	Groupe Estrie-Richelieu, Compagnie d’assurance (Le)

Groupe Ledor Inc., mutuelle d'assurance	Groupe Ledor inc., mutuelle d'assurance
Guarantee Company of North America (The)	Garantie, Compagnie d'Assurance de l'Amérique du Nord (La)
Hartford Fire Insurance Company Ltd.	Compagnie d'Assurance Incendie Hartford (La)
HDI Global SE Canada Branch	HDI Global SE (succursale canadienne)
HDI Global Speciality SE	HDI GlobalAssurance Spécialités SE
Heartland Farm Mutual Inc.	Heartland Farm Mutual Inc
Industrial-Alliance Insurance Auto and Home Inc.	Industrielle-Alliance, Assurance auto et habitation inc.
Industrial-Alliance Pacific General Insurance Corporation	Industrielle-Alliance Pacifique, Compagnie d'Assurances Générales
InnovAssur, General Insurance 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 Farm Insurance Inc.	Intact Assurance agricole inc.
Intact Insurance Company	Intact Compagnie d'assurance
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	Compagnie d'Assurance Liberté Mutuelle (La)
Lloyd's Underwriters	Les Souscripteurs du Lloyd's
MAX Insurance	MAX Insurance
Mennonite Mutual Fire Insurance Company of Saskatchewan	Mennonite Mutual Fire Insurance Company of Saskatchewan
Millennium Insurance Corporation	Millennium Insurance Corporation
Missisquoi Insurance Company (The)	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 (The)	Mutual Fire Insurance Company of British Columbia (The)
Mutuelle d'Église	Mutuelle d'Église
My Mutual Insurance Limited	My Mutual Insurance Limited

National Bank Life Insurance Company	Assurance-vie Banque Nationale, Compagnie d'assurance-vie
National Liability & Fire Insurance Company	National Liability & Fire Insurance Company
New Home Warranty Insurance (Canada) Corporation (The)	New Home Warranty Insurance (Canada) Corporation (The)
Nordic Insurance Company of Canada (The)	Nordique, Compagnie d'assurance du Canada (La)
Northbridge General Insurance Corporation	Société d'assurance générale Northbridge
Novex Insurance Company	Novex Compagnie d'assurance
Old Republic Insurance Company of Canada	Ancienne République, Compagnie d'Assurance du Canada (L')
Omega General Insurance Company	Omega Compagnie d'Assurance générale
Optimum Farm Insurance Inc.	Optimum Assurance Agricole Inc.
Optimum Insurance Company Inc.	Optimum Société 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 Hills General Insurance Company	Peace Hills General Insurance Company
Pembridge Insurance Company	Pembridge, compagnie d'assurance
Personal General Insurance Inc.	Personnelle, assurances générales Inc. (La)
Personal Insurance Company (The)	Personnelle, Compagnie d'Assurances (La)
Perth Insurance Company	Perth, Compagnie d'Assurance
Petline Insurance Company	Compagnie d'assurance Petline
Pilot Insurance Company	Pilot 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
Promutuel Réassurance	Promutuel Réassurance
Protective Insurance Company	Protectrice, société d'assurance (La)
Prysm General Insurance Inc.	Prysm assurances générales inc.
Quebec Assurance Company	Compagnie d'Assurance du Québec
RBC Insurance Company of Canada	Compagnie d'assurance RBC du Canada
Red River Valley Mutual Insurance Company	Red River Valley Mutual Insurance Company
Royal & SunAlliance Insurance Company of Canada	Royal & SunAlliance 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
SCOR UK Company Limited (Canadian Branch)	SCOR UK Company Limited (succursale canadianne)
Scotia General Insurance Company	Scotia Générale, compagnie d'assurance
Scottish & York Insurance Company Ltd.	Compagnie d'assurance Scottish & York Limitée
Security National Insurance Company	Sécurité Nationale Compagnie d'Assurance
Sentry Insurance, A Mutual Company	Société mutuelle d'assurance Sentry (La)
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 Nipponkoa Insurance Inc.	Assurances Sompo Nipponkoa du Japon Inc.
Sonnet Insurance Company	Compagnie d'assurance Sonnet
South Eastern Mutual Insurance Company	South Eastern Mutual Insurance Company
Sovereign General Insurance Company (The)	Souveraine, Compagnie d'Assurance Générale (La)
SSQ, Insurance Company Inc.	SSQ, Société d'assurance inc.
SSQ, Life Insurance Company Inc.	SSQ, Société d'assurance-vie inc.
Stanley Mutual Insurance Company	Stanley Mutual Insurance Company
Starr Insurance & Reinsurance Ltd.	Starr Insurance & Reinsurance Ltd.
St. Paul Fire & Marine Insurance Company	Compagnie d'Assurance Saint Paul
Sunderland Marine Mutual Insurance Company	Société d'assurance mutuelle maritime Sunderland Limitée
TD Direct Insurance Inc.	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
Technology Insurance Company Inc.	Société d'assurance Technologie
Temple Insurance Company (The)	Compagnie d'assurance Temple (La)
T.H.E. Insurance Company	T.H.E. Insurance Company
Tokio Marine & Nichido Fire Insurance Company Ltd.	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 Insurance Company of Canada	Compagnie d'Assurance Travelers 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

Unica Insurance Inc.	Unica assurances inc.
Unifund Assurance Company	Unifund, Compagnie d'Assurance
Unique General Insurance Inc. (L')	Unique Assurances Générales Inc. (L')
United General Insurance Corporation	United General Insurance Corporation
United States Liability Insurance Company	United States Liability Insurance Company
Verassure Insurance Company	Compagnie d'assurance Verassure
Virginia Surety Company Inc.	Virginia Surety Company Inc.
Waterloo Insurance Company	Waterloo, Compagnie d'Assurance
Wawanesa Mutual Insurance Company (The)	Compagnie Mutuelle d'Assurance Wawanesa (La)
Western Assurance Company	Western Assurance Company
Westland Insurance Company Limited	Westland Insurance Company Limited
Westport Insurance Corporation	Société d'assurance Westport
Wynward Insurance Group	Wynward Insurance Group
XL Specialty Insurance Company	Compagnie d'assurance XL Spécialité
Zenith Insurance Company	Compagnie d'Assurance Zénith
Zurich Insurance Company	Zurich Compagnie d'Assurances SA

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