PACICC

Property and Casualty Insurance Compensation Corporation

Insolvency protection for home, automobile and business insurance customers

# 2019 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 2019

- We successfully completed a comprehensive industry consultation on the subject of the proposed modernization of PACICC Coverage & Benefits. Our analysis was based on an industry dataset comprising more than 400,000 claims, which was used to definitively establish the current and potential scope of PACICC benefits coverage under a range of possible limits and across all core product lines. We shared this analysis with several industry working groups and subsequently conducted a survey of all Insurer Members regarding a series of potential recommendations. Drawing upon feedback from IBC, IBAC and 83% of the Canadian industry, as well as qualitative and quantitative consumer research, we then tabled 10 Final Recommendations, which were approved by our Board of Directors in November. Subject to regulatory approval, our proposed changes will go into effect immediately after being endorsed by our Board at its April 2020 Board Meeting.
- We published the latest in our *Why insurers fail* series – "*Alternatives to Liquidation? – Exploring the case for expanding Canada's P&C resolution toolkit*." This paper – which modelled three distinct Scenarios of a Canadian insurer failure – represents an important first step in the development of a more comprehensive industry dialogue regarding the ways in which PACICC can use its resolution powers to more effectively respond to the potential failure of larger insurers.
- Our Board requested that PACICC modernize its Administrative Assessment Framework in tandem with the establishment of a Budget adequate to support our expanding mandate. At that time, it was suggested that the Corporation consider a risk-based assessment methodology of some form. After a review of many options, Management proposed that PACICC move to implement the same risk-based assessment framework as that employed by OSFI – based on Required Minimum Capital. This proposal was approved by our Board – and became effective as of January 1, 2020.

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- Our Board also asked PACICC Management to review, and modernize, its Contingency Plan with particular focus on the need to address gaps in our capabilities in the area of social media. We retained external communications resources and have now built out a substantially upgraded communications plan. We have begun with a total refresh of our Insolvency Contingency Plan; including a step-by-step plan for "Week One" of an industry insolvency.
- We hosted three Risk Officer's Forum Meetings in 2019, as well as three Emerging Risks Webinars. A useful gauge of the quality of these thought leadership events is the continuing increase in attendance by senior risk management professionals from across our Membership. We estimate that close to 90% of Industry Members are now engaged via these carefully curated sessions. Response to our Benchmark Enterprise Risk Management (ERM) Member survey also remains high and our publication of the results in September highlighted continued progress in our industry's overall adoption of ERM best practices.
- The Corporation invested in increased Regulatory interface in 2019. Our recently inaugurated quarterly meetings with OSFI have worked particularly well. One outcome of these highly productive meetings was an invitation to present to the entire OSFI P&C team on our 2018 *Why Insurers fail* publication regarding the failure of Australia's HIH Insurance Limited. This meeting follows on the success we have also had with the Autorité des marchés financiers (AMF) in Quebec, which this year hosted a joint meeting with the members of our Board's Pre-Insolvency Regulatory Liaison (PIRL) Committee in Quebec City.
- We published four issues of our new *Solvency Matters* newsletter in 2019, and have received extensive trade press coverage and favourable industry feedback on the issues published so far. We continue to expand our distribution list for this publication. With these efforts, as well as the engagement with the industry via events such as the National Insurance Conference of Canada, we feel we have made good progress in maintaining industry awareness of our critical function…even in "times of peace."

THIS PAST YEAR WAS A CRITICAL ONE in the evolution of PACCIC as an essential component of our insurance industry infrastructure. We began the year with our long-serving CEO Paul Kovacs stepping down after 15 years in the role and our Chair, Lawrie Savage stepping down after 14 years on the Board. I am grateful to both of these consummate professionals for the outstanding support they have provided to our new CEO, Alister Campbell and to me in this period of transition.

From an industry perspective, 2019 was a frustrating year. While Gross Premiums increased substantially – high single-digit rates of growth are unusual in times of such relatively low inflation – industry loss ratios did not improve at all. Continued underwriting losses across many lines of business including Ontario, Alberta and Atlantic Auto, coupled with challenges in Commercial Property, left a disturbingly high number of companies with underwriting losses. This includes a troubling number of carriers suffering continuous underwriting losses over a period of years. Such sustained losses are often warning signs of potential failure. PACCIC is closely monitoring these trends and is in regular dialogue with key regulators in this regard.

**"Working closely with the PACICC Management team, our Board tackled more than the usual number of significant initiatives this year."**

Working closely with the PACICC Management team, our Board tackled more than the usual number of significant initiatives this year. Most significant and by far the most demanding in terms of time and resources, was our Review of Coverage and Benefits – our designated "Priority Issue" for 2019. This formal review was timely, as we had last conducted one in 2006. Strong analytics, based on a massive claims database, gave excellent perspective on where benefit limits had potentially eroded. Strong focus on engagement of key stakeholders ensured that we gained a clear appreciation of perspectives from consumers, insurers, regulators and brokers. This excellent work by the PACICC Management team ensured our Board was in a position to review Final Recommendations, fully aware of all of their implications. In the end, the proposed changes were approved by our Board unanimously, and we are confident that they will receive strong support from regulators.

We also began work on our Priority Issue for 2020, starting with the publication of an important and thought-provoking research paper – "*Alternatives to Liquidation? – Exploring the case for expanding Canada's P&C resolution toolkit*." All three of the Scenarios carefully modelled by our Chief Economist Grant Kelly are realistic…and have very different implications. I know PACICC Management is working hard to execute on our four-part Action Plan on this Priority Issue and is planning broad industry engagement, as we think through how to best ensure that we continue to honour PACICC's three-part mandate in an evolving industry.

On the operational side, the Board also tasked Management with two significant work streams. One result is that we moved to modernize our Administrative Assessment Framework to incorporate risk-rating and to ensure adequate funding for our operations in a consolidating industry. A second area of focus was Contingency Planning, where PACICC Management made good progress in addressing a particular area of Board concern – the need to ensure effective communications in an insolvency scenario, given the ubiquity of social media. The next stage of this work will involve deeper engagement with regulators. In this regard, we have also been evolving our governance model, to ensure that our Pre-Insolvency Regulatory Liaison Committee (comprising our CEO and all Independent Directors), is actively engaged in scenario modelling and contingency planning with key regulators – notably, OSFI and the AMF in Quebec.

**"I know PACICC Management is working hard to execute on our four-part Action Plan on this Priority Issue and is planning broad industry engagement, as we think through how to best ensure that we continue to honour PACICC's three-part mandate in an evolving industry."**

The Board has also encouraged PACICC to think more broadly about our brand awareness – within the industry and among consumers. Via our thought leadership activities, including the well-received Risk Officer's Fora and Emerging Risks Webinars, through public speaking engagement by our Executives as well as through our new communications vehicle – *Solvency Matters* – we have made positive strides in this regard. We look to our team to do even more in the years ahead, and we have encouraged them to explore best practices among other policyholder protection funds in Canada and around the world. To this end, we are particularly interested in seeing what PACICC can learn through its growing international engagement with the International Forum of Insurance Guarantee Schemes (IFIGS), for which our CEO Alister Campbell will be serving as Chair in 2020.

In 2013, PACICC published research indicating that our strong and well-capitalized industry was potentially prone to systemic contagion risk – but only in the case of a major earthquake. Since then, we have worked diligently to raise industry awareness of this significant risk and sought to define options that could help to mitigate and ameliorate this material "tail risk" for our industry and for our country. It is a source of continued frustration for your Board that we have failed to make greater progress on this issue. Canada is the only significant developed nation – with a material quake exposure – that does not have some form of industry "backstop" mechanism. The absence of such a mechanism is a major gap in the public infrastructure of our nation and it must be addressed. The PACICC Board has now determined that we will have Mitigation of Systemic Risk as a "Permanent Priority Issue", until we resolve this critical gap in our nation's public safety net. We intend to invest the required resources to support this broader mandate for our Management team and we call on all stakeholders including IBC, IBAC, CCIR, OSFI and the Minister of Finance, to engage with us to identify solutions and to ensure they are implemented as soon as is practicably possible.

**"The PACICC Board has now determined that we will have Mitigation of Systemic Risk as a "Permanent Priority Issue", until we resolve this critical gap in our nation's public safety net."**

I want to thank our very small Management team for the very large quantum of quality work that they achieved in the past year. A new CEO can sometimes make for a challenging transition. In our case, however, the Board has been particularly pleased to see the way in which the team has so quickly adapted to change and aligned around an aggressive plan of common objectives. I also want to thank each of the individual Members of our Board, many of whom are volunteers and carry significant leadership burdens in the organizations where they work, for their professionalism and dedication to our Mission. They have made my first year as Chair particularly rewarding, and I have every confidence that their skilful and engaged oversight will ensure that PACICC continues to strengthen its ability to protect Canadian consumers in the years to come.

IT IS SAFE TO SAY THAT THE THREE-PART MISSION of PACICC was successfully achieved in 2019. First, we can confidently claim that no consumer suffered "undue hardship" as the result of an insurer insolvency. Second, the absence of any new insolvencies meant that costs to insurers were certainly minimized. In fact, we began 2019 by successfully completing the process of returning $21 million dollars to our Insurer Members – this sum representing the final amounts recovered from the active estates of all previously failed insurers. Finally, confidence in the P&C industry among consumers remains high. A recent survey of Canadian consumers indicates that they have no concern about the solvency of their own insurer, or that of the industry in general.

**"The work of PACICC intensified this year on a number of fronts. Our Priority Issue for 2019 was the formal review of our Coverage and Benefits."**

The work of PACICC intensified this year on a number of fronts. Our Priority Issue for 2019 was the formal review of our Coverage and Benefits. We engaged our Members via a Working Group and broadened that industry engagement to include a formal process, both with IBC and IBAC. We completed this portion of the work by issuing an Industry Consultation Paper with 10 Preliminary Recommendations, based on Three Guiding Principles – Fairness, Transparency/Clarity and Modernization – and then surveying our entire Membership on their views.

We were pleased that more than 83% of the Canadian market responded to that survey. Member input, combined with industry feedback and the results of qualitative and quantitative consumer market research, prepared us well for the dialogue we then initiated with the Canadian Council of Insurance Regulators. Their response enabled us to complete a comprehensive stakeholder map and allowed PACICC Management to table Final Recommendations at our November 2019 Board Meeting. After exhaustive discussion and debate, our Board approved the following:

**1.**
- Increase Personal Property Limit to $500,000 in 2020
- Increase Automobile and Commercial limits to $400,000 (to account for inflation since 1994-1995)
- Fixed Review date every five years (with next review in 36 months)
- Urge CCIR to publicly join IBC and PACICC in calling upon the Government of Canada to create an earthquake backstop mechanism to address systemic risk

2. Increase the unearned premium amount to $2,500 – retention of the 70% co-pay provision (maximum payout of $1,750)
3. Work with Provincial regulators and IBC to remove Statutory Accident Benefits from PACICC coverage/limits and channel such claims through provincial Motor Vehicle Accident Claims Funds/Programs
4. Clarify treatment of Accident & Sickness (when sold by an Assuris Member) and Liability (when covered by a government-run workers' compensation plan)
5. PACICC staff to consult with relevant stakeholders and establish "plain language" definitions of PACICC coverage in a revised "Schedule A"
6. No changes to Commercial coverage eligibility – other than the recommended increase to $400,000 (inflation-adjusted limit)
7. No change to treatment of "Strata" owners until after implementation of a federal "backstop" mechanism to address earthquake-driven systemic risk
8. PACICC staff to develop a framework to receive, verify, adjudicate and process "hardship" claims requests in a timely and efficient manner – for approval by the PACICC Board of Directors
9. Expand the PACICC list of Covered Policies as proposed by IBC
10. PACICC staff to develop options for aggregate reinsurance cover in the case of a single-company, natural catastrophe-triggered insolvency, for review with the PACICC Board in April 2020

Our 2020 Priority Issue is – *Expanding PACICC's Resolution "Toolkit."* Key to this work will be moving to institutionalize our working relationships with AMF and OSFI – where we already have signed Intervention Protocols – and moving to establish similar Intervention Protocols with the other provinces. Also important is continuing to flesh out the mandate and working practices of our new Pre-Insolvency Regulatory Liaison Committee (PIRL) – made up entirely of our independent Directors. We have begun to "socialize" this important work through a meeting with the IBC Board of Directors and via a series of workshops at the National Insurance Conference of Canada. We have now begun executing on our comprehensive four-part Action Plan for this Priority Issue.

PACICC remains seized by the critical importance of addressing the risk of systemic contagion potentially caused by a major earthquake. We engaged with IBC and Finance Canada constantly on this topic throughout the year, and remain disappointed that we have not been able to make greater progress. We have made efforts to align with CCIR and IBAC in this important cause and we intend to renew our efforts on this issue in 2020, now that the Federal Election is over.

**"PACICC remains seized by the critical importance of addressing the risk of systemic contagion potentially caused by a major earthquake."**

Historically, PACICC's Board has limited Management's mandate to a single "Priority Issue" each year. Recognizing the urgent priority to address this topic, our Board has designated Mitigating Systemic Risk as a "Permanent Priority Issue", until such time as we secure the required resolution. Accordingly, we will be redoubling our efforts to effectively address this issue and will not rest until we have achieved success.

Looking out beyond 2020, we have already begun work on our Board-designated Priority Issue for 2021 – *Contingency Planning and Desktop Simulations*. We are working much more closely with key regulators than ever before, and now have "early warning" regarding potentially distressed insurers. This means we now have the opportunity to engage more proactively in crisis management simulations, where pre-planning might assist in ensuring more effective response to worst-case scenarios when they actually happen. We will be engaging our increasingly important PIRL Committee in this exciting work.

Finally, we have been asked by our Board to start thinking strategically about PACICC brand awareness. We are seeking to engage with IBC and IBAC in a more structured and sustained way. And we have expanded our industry awareness through the publication of our *Solvency Matters* newsletter and through more public speaking engagements. But over the course of the coming year, we will be giving more thought to ways that we can ensure all market-facing players in our industry have a better awareness of the PACICC value proposition and can make that value more visible to Canadian consumers.

I have found the first year in this role to be both challenging and deeply rewarding. I sincerely appreciate the engagement from our Board and am particularly grateful for the coaching and guidance I have received from our new Board Chair Glenn Gibson. I have also benefitted immensely from the highly engaged and deeply professional team that I have inherited here at PACICC. We have accomplished a great deal in this year…and look forward to achieving even more in the pursuit of our Mission in 2020 and beyond.

PACICC closely monitors the business environment of Canada's P&C insurance industry for two important 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 2019. In fact, it has now been more than 15 years 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. However, there is evidence that the solvency risk facing PACICC's Member Insurers has risen over the past 36 months.

**Industry results**

| ($ millions) | YRD Q3 2019 | YTD Q3 2018 | Percentage change |
|---|---|---|---|
| Direct Premiums Written | $45,013 | $41,030 | 9.7% |
| Net Premiums Earned | $35,555 | $34,883 | 1.9% |
| Net Claims Incurred | $24,171 | $23,793 | 1.6% |
| Operating Expenses | $11,527 | $10,982 | 5.0% |
| Underwriting Income | $33 | $279 | -89.2% |
| Net Investment Income | $2,917 | $1,742 | 67.4% |
| Net Income | $2,342 | $1,878 | 24.7% |
| Combined Ratio | 100.4% | 99.7% | |
| Loss Ratio | 68.0% | 68.2% | |

- 98.6% growth in investment income offset a 83.1% decline in underwriting income.
- Investment income climbed due to a decline in interest rates over the first six months of 2019.

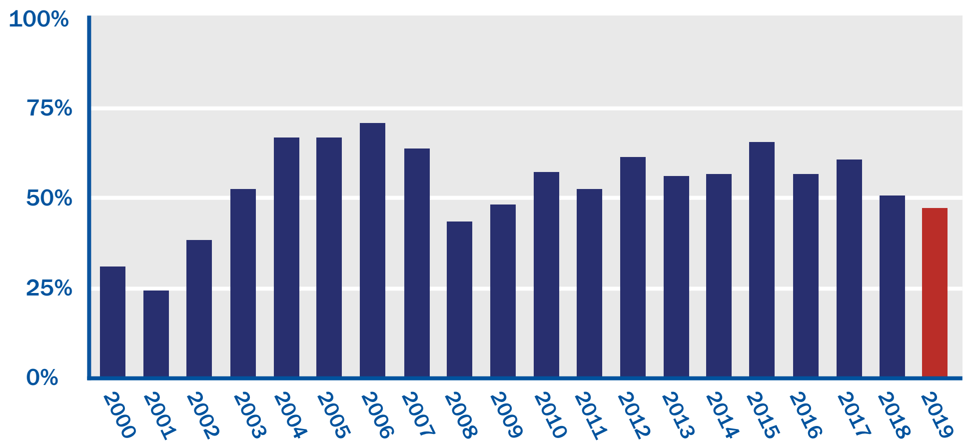
*Source: PACICC based on data from MSA Research*

Canada's P&C insurers posted moderate profitability in the first nine months of 2019, with an average return on equity (ROE) of 6.3 percent. This compares to 5.2 percent in the same period in 2018. 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 $50 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.

This overall moderate improvement in still-inadequate returns is driven entirely by an increase in investment income, likely a result of the recent material downward shift in interest rates (and thus not repeatable). In fact, core underwriting results have not yet improved at all, despite substantial increases in premiums written.

It is troubling to report that, in 2019, more than half of PACICC Member Insurers posted unsustainable underwriting results. This is the first time that this has occurred since the 2008 global financial crisis. Underwriting losses represent a drain on the capital base of these insurers. Of course, properly capitalized insurers can weather temporarily poor results, but mitigating actions are urgently required.

**PACICC Members with underwriting profits**



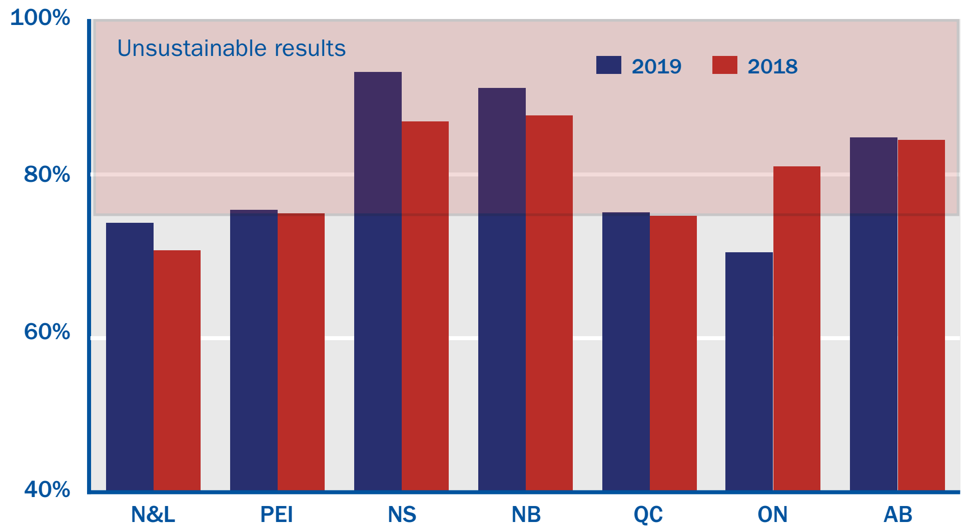

- Less than half of PACICC Member insurers report underwriting profits in 2019. This is the lowest level since the 2008 global financial crisis.
- Prior to 2001, it was common for Canadian P&C insurers to report underwriting losses.

*Source: PACICC based on data from MSA Research*

**Increased solvency risk in some auto markets**

The main cause of these poor underwriting results continues to be high loss ratios in Private Passenger Auto insurance. 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. In the current low-interest rate environment, industry loss ratios higher than 80 percent simply do not allow insurers to pay operating expenses and replenish their capital base. In 2019, the Private Passenger Auto loss ratios in Nova Scotia, New Brunswick, Ontario and Alberta represented a capital drains for insurers. The best-case outcome for insurance consumers in these markets would be product reform. However, it remains unclear that these products will be reformed before increased costs must be passed through to consumers in the form of higher premiums. Until auto insurance reforms are enacted, the industry's solvency risk will be elevated.

**Private Passenger Auto – Loss ratio, first 9 months 2019**



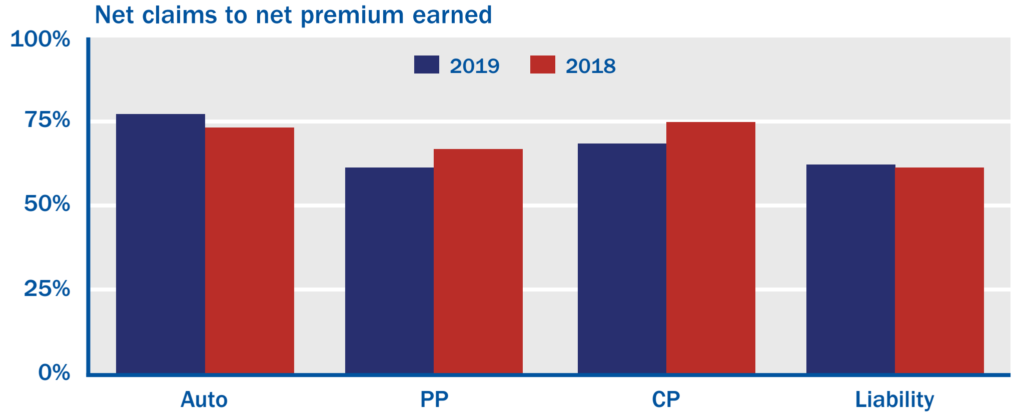

*Source: PACICC based on data from MSA Research*

**Property markets**

Most of the Personal Property markets remained healthy in 2019, providing a secure source of earnings and capital for insurers. Maintaining a healthy, profitable homeowners' insurance marketplace is important for the Canadian economy. 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 the impact of the 2016 wildfire in Fort McMurray was four to five times larger than the industry's expected worst-case scenario. The magnitude of this loss is a warning that losses from natural disasters can greatly exceed expectations.

**Loss ratios, first 9 months 2019**




- Underwriting results for Auto insurance worsened in 2019.
- Loss results for Commercial Property remain higher than average. In 2019, loss ratios in Ontario and Quebec were 91 percent. This is unsustainable.

*Source: PACICC based on data from MSA Research*

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 the potential systemic impact of a catastrophic earthquake.

**Commercial Lines**

Most Commercial Liability markets across Canada were profitable in 2019. This allowed insurers operating in these markets to generate capital. There is a growing debate on the "hardness" of the marketplace. The most significant source of solvency risk in the Commercial insurance market is the introduction of new insurance products such as Cyber and other coverages. PACICC's research into why insurers fail has consistently found that inadequate pricing and reserving are the primary causes of insurance insolvencies. New products and evolving risks both make proper pricing and reserving harder. In combination, the challenge is magnified.

## Assessing PACICC's preparedness

There are two factors that have enhanced PACICC's preparedness for a future insolvency:

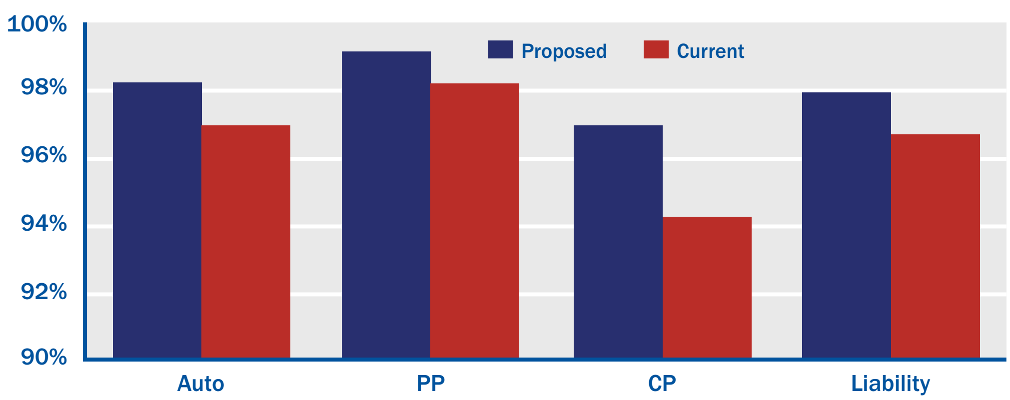
### Unencumbered assessment capacity

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 currently no outstanding or unresolved claims. This is the first time in PACICC's history that our assessment capacity is unencumbered. PACICC estimates that in 2019, the total assessment capacity available to protect policyholders is $903.8 million.

### Adjusting benefit levels and coverage

In 2019, as part of its review of Benefit levels and Coverage, PACICC undertook a comprehensive survey of industry claims patterns. Based on a sample of 400,000 claims provided by Member Insurers, we were able to estimate the percentage of claims that would be covered completely by PACICC if a Member Insurer were to fail for the first time. The level of protection varies by line of business. If a PACICC Member Insurer was to fail in 2019, the survey data indicate that 98.2 percent of open Auto claims, 94.2 percent of open Commercial Liability claims, and 98.0 percent of open Commercial Property claims would be fully covered by PACICC's new claims limit of $400,000. The same data indicates that 99.1 percent of open Personal Property claims would fall below PACICC's new $500,000 policy limit.

**PACICC Coverage limits**
**# of claims**




Source: PACICC

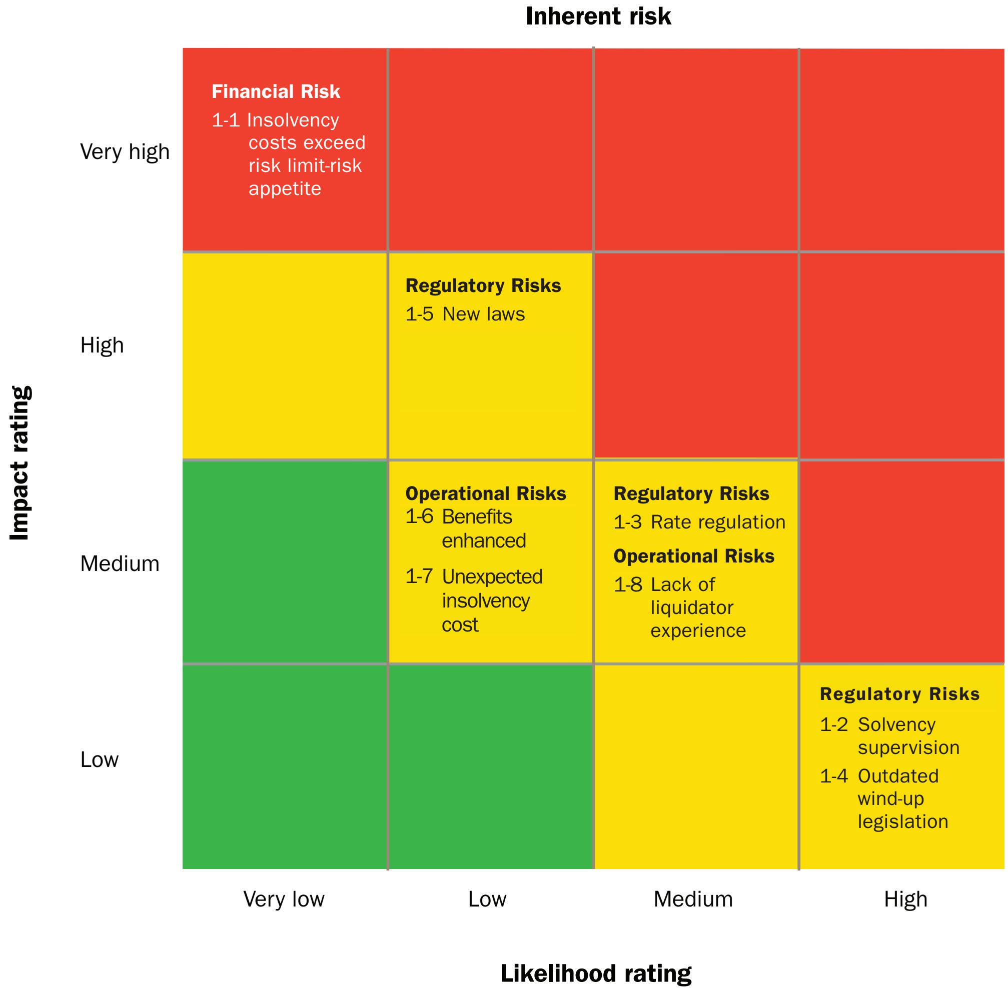
## Looking ahead

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 more than adequately prepared to face a challenging future.

## Enterprise Risk Management

PACICC's risk profile has improved moderately at the time of issue of this Annual Report (April 2020). A risk in Section 1 (lack of Member financial data) has been moved to Section 2, as a direct result of successful implementation of a risk mitigation plan. We define our risk profile as the priority risks identified by the Corporation. There are now eight priority risks, summarized in the accompanying Risk Profile Grid.

### Risk Profile Grid (as at April 2020)



**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 Much of Canada's accumulated P&C liquidation expertise has "retired"

There is only one risk that PACICC considers to be severe enough to prevent the Corporation from fulfilling its obligations to policyholders, should it materialize. This is the risk that a catastrophic earthquake (or other major disruptive event) causes a large Member Insurer to fail, or leads to a series of multiple, smaller insurer insolvencies (see Risk 1-1). The result could be that estimated insolvency costs exceed PACICC's risk limit-risk appetite (as set by the Board of Directors at twice PACICC's annual general assessment capacity – currently $1.7 billion). This 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. It is for this reason that mitigation of this particular risk remains a top priority for PACICC.

The Government of Canada continues to consider "how to limit the system-wide risks an extreme earthquake could pose to federal P&C insurers." PACICC has been partnering with the Insurance Bureau of Canada (IBC) to address this risk, specifically advocating for some form of "backstop" facility provided by the Federal Government following a catastrophic earthquake. PACICC would use these funds to pay the eligible claims of policyholders of any Member Insurers that failed due to the earthquake, rather than having to rely only on its general assessment mechanism – which could possibly cause financial contagion in the industry. PACICC and IBC are also working on alternative solutions, given the absence of progress on this crucial issue.

Over the past year, PACICC successfully addressed the risk of a lack of Member financial data resulting in unexpected insolvency costs. This is now reflected in the April 2020 Risk Profile Grid as being a (Section 2) low-impact, low-likelihood risk. The risk has been substantially mitigated through a By-Law amendment made in April 2019 that requires all PACICC Members to regularly disclose financial data to PACICC.

PACICC's complete *Risk Management Report* – including its 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 sixth full-year of successful operations in 2019. 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.

## 2019 Event Dates and Discussion Topics

***Forum Meetings:***

| | |
|---|---|
| • April 3 | OSFI Update on Current Industry Issues |
| • September 4 | Changes to the Business Environment in Canada |
| • October 28 | CEO Perspective on ERM |

***Emerging Risks Webinars:***

| | |
|---|---|
| • February 20 | A Conversation with Insurers Regarding Risk Identification |
| • May 15 | The Social Psychology of Cyber Security |
| • October 23 | Climate Change |

## 2020 Event Dates and Discussion Topics

***Forum Meetings:***

| | |
|---|---|
| • April 1 | OSFI Update on Current Industry Issues |
| • September 17 | Role of the Provincial Regulator |
| • November* | Risks Facing Canada (*date to be announced) |

***Emerging Risks Webinars:***

| | |
|---|---|
| • February 26 | A Conversation with Insurers Regarding Risk Identification and Risk Assessment |
| • May 20 | Collision Avoidance Systems and Automated Driving |
| • October 21 | Government Regulation |

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## 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 Insurance Compensation Corporation (the Entity), which comprise:

- the statement of financial position as at December 31, 2019
- 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 December 31, 2019, 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 5, 2020
Toronto, Canada

## Statement of Financial Position

December 31, 2019, with comparative information for 2018
In thousands of dollars

| | 2019 | 2018 |
|---|---|---|
| **Assets** | | |
| Cash (note 7) | $1,663 | $23,348 |
| Investments (note 7) | 56,081 | 54,365 |
| Accrued interest | 170 | 206 |
| Assessment receivable | 4 | 34 |
| Prepaid assets and other receivables | 64 | 54 |
| Property - right-of-use asset (note 11) | 190 | – |
| **Total assets** | **$58,172** | **$78,007** |

### Liabilities and Equity

| | 2019 | 2018 |
|---|---|---|
| **Liabilities:** | | |
| Trade and other payables | $155 | $359 |
| Deferred assessment revenues | 4 | – |
| Unclaimed liquidation refunds (note 6) | 106 | – |
| Finance lease liability (note 12) | 194 | – |
| Total liabilities | 459 | 359 |
| **Equity:** | | |
| Operations surplus | 1,365 | 1,476 |
| Liquidation surplus | 59 | 21,098 |
| Compensation Fund | 56,289 | 55,074 |
| Total equity | 57,713 | 77,648 |
| **Total liabilities and equity** | **$58,172** | **$78,007** |

See accompanying notes to financial statements.

On behalf of the Board:

Glenn Gibson, *Board Chair*

Bruce Thompson, *Director*

## Statement of Comprehensive Income

Year ended December 31, 2019, with comparative information for 2018
In thousands of dollars

| | 2019 | 2018 |
|---|---|---|
| **Revenue from operations:** | | |
| Members assessments | $1,520 | $1,444 |
| Investment income | 42 | 37 |
| Institute for Catastrophic Loss Reduction (ICLR) Recovery and funding from liquidations | 100 | 163 |
| | 1,662 | 1,644 |
| **Expenses:** | | |
| Salaries and benefits | 878 | 925 |
| Research and professional fees | 199 | 278 |
| Premises | 104 | 171 |
| Investment management | 70 | 85 |
| Board of Directors | 97 | 79 |
| Legal fees | 35 | 34 |
| Corporate secretary and accounting services | 51 | 45 |
| Travel | 74 | 48 |
| Telephone and postage | 28 | 19 |
| Furniture and equipment maintenance | 61 | 42 |
| Printing and office supplies | 39 | 23 |
| Interest expense financial lease liability (note 12) | 9 | – |
| Amortization of right-of-use asset (note 11) | 63 | – |
| Insurance | 3 | 14 |
| Bank | 5 | 5 |
| Miscellaneous | 57 | 57 |
| | 1,773 | 1,825 |
| Excess of expenses over revenue – operations | (111) | (181) |
| **Liquidations: (note 5(b)):** | | |
| Investment income | 69 | 370 |
| Other expense (claims paid/distribution expenses) | (21,108) | (94) |
| Excess of revenue over expenses – liquidations | (21,039) | 276 |
| **Compensation Fund:** | | |
| Net Investment income | 1,215 | 969 |
| Excess of revenue over expenses – Compensation Fund | 1,215 | 969 |
| **Net income (loss) and comprehensive income (loss)** | **($19,935)** | **$1,064** |

All income is attributable to members.

See accompanying notes to financial statements.

## Statement of Changes in Equity

Year ended December 31, 2019, with comparative information for 2018
(In thousands of dollars)

| | Operations surplus | Liquidation surplus | Compensation Fund | Total |
|---|---|---|---|---|
| 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 |
| Comprehensive income (loss) | (111) | (21,039) | 1,215 | (19,935) |
| **Balance, December 31, 2019** | **$1,365** | **$59** | **$56,289** | **$57,713** |

See accompanying notes to financial statements.

## Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018
(In thousands of dollars)

| | 2019 | 2018 |
|---|---|---|
| **Cash provided by (used in):** | | |
| **Operating activities:** | | |
| Excess of revenue over expenses: | | |
| Operations | $ (111) | $ (181) |
| Liquidations | (21,039) | 276 |
| Compensation Fund | 1,215 | 969 |
| Amortization of bond premium/discount/impairment | (11) | 126 |
| Change in accrued interest | 36 | (13) |
| Change in prepaid assets other receivables | (10) | (27) |
| Change in trade and other payables and provisions | (204) | 182 |
| Cash used in provided by operating activities | (20,124) | 1,332 |
| **Investing activities:** | | |
| Maturity of investments | 19,093 | 17,673 |
| Purchase of investments | (20,654) | (18,294) |
| Cash used in investing actvities | (1,561) | (621) |
| (Decrease) increase in cash | (21,685) | 771 |
| Cash, beginning of year | 23,348 | 22,637 |
| **Cash, end of year** | **$1,663** | **$23,348** |

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 (P&C) insurer that is a member becomes insolvent. PACICC works to minimize the costs of insurer insolvencies and seeks to maintain a high level of consumer confidence in Canada's P&C industry through the financial protection they provide to policyholders. The Corporation's members include all licensed property and casualty insurers (other than Farm Mutuals) and all government-owned P&C 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, 2019 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, 2019 have been approved for issue by the Board of Directors on March 5, 2020.

***(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 investments which are measured at fair value through profit and loss ("FVTPL").

***(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 ("IFRS 9"), standard. IFRS 9 includes three principal classification categories for financial assets - amortized cost, fair value through other comprehensive income ("FVOCI") and 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 Financial Instruments eliminates the previous IAS 39 Financial Instruments categories of held to maturity investments, loans and receivables and available for sale.

IFRS 9 Financial Instruments replaces the incurred loss model in IAS 39 Financial Instruments 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 measures its bond portfolio 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. This classification has been selected based on the nature of the business model of the bond portfolio and assessing the cash flow characteristics of the securities within the portfolio.

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; and
- 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.

(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.

**2. Significant accounting policies (continued):**

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 15(a), 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:***

As detailed in note 2, IFRS 16, Leases ("IFRS 16"), is effective from January 1, 2019 which has changed the manner of accounting for lease contracts. Such contracts are brought on to the statement of financial position in the form of a lease liability and a right-of-use ("ROU") asset.

The Corporation has entered into a lease agreement for real estate that is used for office space in the ordinary course of business. At the effective date of IFRS 16, the Corporation recognizes an asset representing the right to use the underlying asset during the remaining lease term and recognizes a liability to make lease payments.

The ROU is initially measured at cost which is the initial amount of the lease liability. The useful life of the ROU asset is selected as 4 years by the Corporation which is the lease term remaining at the date of initial application.

The lease liability is initially measured at the present value of the lease payments that are not paid at the effective date, discounted using the interest rate implicit in the lease or, if that rate is not readily available, the Corporation's incremental secured borrowing rate commensurate with the term of the underlying lease.

The Corporation has used the incremental secured borrowing rates as its method of arriving at the relevant discount rate.

The lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rates at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and

**2. Significant accounting policies (continued):**

- The exercise price under a purchase option that the Corporation is reasonably certain to exercise, lease payments in an option renewal period if the Corporation is reasonably certain to exercise an extension option and penalties for early termination of a lease unless the Corporation is reasonably certain not to terminate early.

The current lease agreement only has fixed payments of basic rent included in the measurement of the lease liability. No other components of lease payments are present within the contractual agreement.

The lease liability is measured by the amortized cost using the effective interest rate method. Leases under the standard require the remeasurement of the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in the interest rate used to determine those payments). The Corporation recognizes the amount of remeasurement, if there are any, as an adjustment to the ROU.

The Corporation has presented its ROU in a separate financial statement caption called Property – Right-of-use asset and its lease liability in a caption called Finance lease liability.

***(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.

***(f) Revenue recognition:***

(i) Member assessments:

All provinces and territories have enacted legislation or passed regulation, making it a condition for being licensed that P&C insurers enter 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 issued annually and 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:

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. Accounting policies effective 2019:**

On January 12, 2016, the IASB issued IFRS 16. The new standard is effective for annual periods beginning on or after January 1, 2019. 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 and a lease liability representing its obligations to make the lease payments.

The Corporation adopted the new standard as of January 1, 2019 and elected to apply the modified retrospective approach to transition. Under this scenario, the standard permits entities to recognize a cumulative effect adjustment to the opening balance of retained earnings in the year of adoption with no restatement of the comparative year.

On transition to IFRS 16, the Corporation elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously classified as leases. Contracts that were not identified as leases under IAS 17 Leases and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

The Corporation has elected to use the following practical expedient applicable to the Corporation:

- Rely on previous assessment of whether leases are onerous in accordance with *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review.

The adoption of the standard resulted in the Corporation recognizing a lease liability of $193,669 and a right-of-use asset of $189,974 as at December 31, 2019.

The cumulative effect adjustment to the opening balances at January 1, 2019 of retained earnings was nil. The adoption of the standard did not have a material impact on the Corporation's statement of comprehensive income.

| | |
|---|---|
| Total real estate operating lease commitment January 1, 2019 | $274 |
| Discounted obligation using incremental borrowing rate at January 1, 2019 | $254 |
| Lease liability recognized at January 1, 2019 | $253 |
| Right-of-use asset recognized at January 1, 2019 | $253 |

The Lease contracts weretreated as operating leases inder IAS 17 in 2018 and were not recognized in the statement of financial position. Payments made under operating leases were recognized in the statement of comprehensive income on a straight-line basis over the term of the lease.

**4. General and designated funds:**

***(a) Operations Fund:***

Administrative assessments are levied annually against members to cover operating expenses not associated with a particular insolvency.

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

***(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) Liquidation Funds:***

Separate funds are maintained for each member insolvency in the process of liquidation. In 2019, the Corporation engaged external consultants to calculate the final distributions of surplus net liquidation funds associated with seven member insolvencies which were resolved. The administration of each of the insolvencies is complete and the Corporation has substantially distributed the final payments as liquidation dividends to members who had made the payments at the time of the insolvencies.

Total distribution to members amounted to $21,108,095 in 2019. Note 5(b) shows that the liquidation surplus fund has been substantially reduced. Note 8 provides further details of the refunds made to the members in relation to these insolvencies.

***(d) 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 (2018 - nil) have been made for future claim payments.

***(e) 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.

***(f) 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.

***(g) 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 2019.

***(h) 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)).

***(i) 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.

***(j) 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.

***(k) 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.

***(l) 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.

***(m) 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, 2019:*

| | Operations | Compensation | Liquidation refund | Canadian Millers' | GISCO | Hiland | Beothic | Canadian Universal | Ontario General | Advocate | Markham General | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Assets | | | | | | | | | | | | |
| Cash | $1,457 | $41 | $157 | $1 | $1 | $1 | $ – | $ – | $1 | $ – | $4 | $1,663 |
| Investments | – | 56,081 | – | – | – | – | – | – | – | – | – | 56,081 |
| Accrued interest | 3 | 167 | – | – | – | – | – | – | – | – | – | 170 |
| Assessment receivable | 4 | – | – | – | – | – | – | – | – | – | – | 4 |
| Other receivavles | 64 | – | – | – | – | – | – | – | – | – | – | 64 |
| Property - right of use asset | 190 | – | – | – | – | – | – | – | – | – | – | 190 |
| **Total assets** | **$1,718** | **$56,289** | **$157** | **$1** | **$1** | **$1** | **$ -** | **$ -** | **$1** | **$ -** | **$4** | **$58,172** |
| **Liabilities and Equity** | | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | | |
| Trade and other payables | $155 | $ – | $ – | $ – | $ – | $ – | $ – | $ – | $ – | $ – | $ – | $155 |
| Provisions | – | – | 106 | – | – | – | – | – | – | – | – | 106 |
| Deferred revenue | 4 | – | – | – | – | – | – | – | – | – | – | 4 |
| Financial lease | 194 | – | – | – | – | – | – | – | – | – | – | 194 |
| Total liabilities | 353 | – | 106 | – | – | – | – | – | – | – | – | 459 |
| Equity: | | | | | | | | | | | | |
| Operations surplus | 1,365 | – | – | – | – | – | – | – | – | – | – | 1,356 |
| Liquidation surplus | – | – | 51 | 1 | 1 | 1 | – | – | 1 | – | 4 | 59 |
| Compensation surplus | – | 56,289 | – | – | – | – | – | – | – | – | – | 56,289 |
| Total equity | 1,365 | 56,289 | 51 | 1 | 1 | 1 | – | – | 1 | – | 4 | 57,713 |
| **Total liabilities and equity** | **$1,718** | **$56,289** | **$157** | **$1** | **$1** | **$1** | **$ -** | **$ -** | **$1** | **$ -** | **$4** | **$58,172** |

*(b) Revenue and expenses from liquidations for the year ended December 31, 2019:*

| | Liquidation refund | Canadian Millers' | GISCO | Hiland | Beothic | Canadian Universal | Ontario General | Advocate | Markham General | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue: | | | | | | | | | | |
| Liquidation dividends | $21,202 | $ – | $ – | $ – | $ – | $ – | $ – | $ – | $ – | $21,202 |
| Investment | 25 | 2 | 6 | 5 | 1 | 2 | 1 | – | 27 | 69 |
| | $21,227 | $2 | $6 | $5 | $1 | $2 | $1 | $ – | $27 | $21,271 |
| Expenses: | | | | | | | | | | |
| Expenses | $ – | $1,107 | $2,831 | $2,461 | $260 | $854 | $629 | $ – | $13,059 | $21,201 |
| Distribution | 21,108 | – | – | – | – | – | – | – | – | 21,108 |
| | $21,108 | $1,107 | $2,831 | $2,461 | $260 | $854 | $629 | $ – | $13,059 | $42,309 |
| **Net results from liquidations** | **$119** | **$(1,105)** | **$(2,825)** | **$(2,456)** | **$(259)** | **$(852)** | **$(628)** | **$ –** | **$(13,032)** | **$(21,039)** |

*(c) Changes in liquidation surplus for the year ended December 31, 2019:*

| | Liquidation refund | Canadian Millers' | GISCO | Hiland | Beothic | Canadian Universal | Ontario General | Advocate | Markham General | Total liquidation surplus |
|---|---|---|---|---|---|---|---|---|---|---|
| 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 |
| Comprehensive income (loss) | 118 | (1,105) | (2,826) | (2,456) | (259) | (852) | (629) | – | (13,032) | (21,040) |
| **Balance, December 31, 2019** | **$50** | **$1** | **$1** | **$1** | **$ –** | **$ –** | **$ –** | **$ –** | **$4** | **$59** |

**6. Provisions for unclaimed liquidation refunds:**

| | Unclaimed refunds | Total |
|---|---|---|
| Balance, December 31, 2018 | $ – | $ – |
| Funds available for distribution | 189 | 189 |
| Distribution made during the year | (86) | (86) |
| Liquidation expenses payable | 3 | 3 |
| **Balance, December 31, 2019** | **$ 106** | **$ 106** |

**7. Financial instruments:**

Carrying values and fair values:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Carrying value | Fair value | Carrying value | Fair value |
| Cash | $1,663 | $1,663 | $23,348 | $23,348 |
| Short-term investments | 6,274 | 6,274 | 5,527 | 5,527 |
| Bonds | 49,807 | 50,280 | 48,838 | 48,784 |
| | **$57,744** | **$58,217** | **$77,713** | **$77,659** |

Cash, short-term deposits and bonds are recorded at amortized cost. The 12-month expected credit loss recognized is $159,363 (2018 - $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 recognizing 12-month expected credit loss for its financial assets as they are deemed to be low credit risk. Please refer to note 15(a).

***(a) Short-term investments:***

These investments have an aggregate carrying value of approximately $6,282,000 (2018 - $5,527,000). 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.

***(b) Bonds:***

| | Remaining term to maturity | | | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|---|---|---|
| | Within 1 year | 1 to 5 years | Over 5 years | Total carrying amount | Effective rates | Total carrying amount | Effective rates |
| Government | $4,420 | $29,974 | $ – | $34,394 | 1.16% - 4.50% | $33,459 | 1.60% - 5.45% |
| Corporate | 748 | 14,665 | – | 15,413 | 1.62% - 3.06% | 15,379 | 1.67% - 4.81% |
| | **$5,168** | **$44,639** | **$ –** | **$49,807** | **1.16% - 4.50%** | **$48,838** | **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.

**8. Refund to Member companies (continued):**

(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).

(g) On November 8, 2018, PACICC's Board of Directors approved the refunding of final liquidation dividends from the estates of the following insolvent insurers: Canadian Millers', GISCO, Hiland, Beothic, Canadian Universal, Ontario General and Markham General liquidations all of which have been discharged and there are no further claims to be paid.

During 2019, PACICC recovered funds of $21,100,257 upon the closure of liquidation activities in these estates. PACICC retained a third party to assist in determining the distribution to each member to ensure transparency. As of December 31, 2019, PACICC had paid out $20,997,533 in liquidation dividends from the total amount authorized for distribution of $21,100,257. The residual amount of $102,724, represents unclaimed refunds where PACICC is actively engaged in the process of determining ultimate ownership and locating members to disburse the funds. In the event that these liquidation dividends remain unclaimed, they will be transferred to the PACICC Compensation Fund.

**9. Assessment capacity:**

PACICC has the ability to make a maximum potential annual general assessment of members of 1.5% (2018 - 1.5%) of covered premiums written, which amounts to approximately $934.6 million in 2019 (2018 - $903,9 million).

**10. Equipment:**

As at December 31, 2019, any equipment acquired by the Corporation had been fully amortized.

**11. Property - right-of-use asset:**

**Cost**

| | |
|---|---|
| January 1, 2019 - recongnition of right-of-use asset | $ 253 |
| Additions | – |
| Disposals | – |
| December 31, 2019 | $253 |

**Accumulated amortization**

| | |
|---|---|
| January 1, 2019 - accumulated amortization | $ – |
| Amorization | (63) |
| Disposals | – |
| December 31, 2019 | $(63) |

**Net book value**

| | |
|---|---|
| December 31, 2019 | **$190** |

**12. Leases**

Amounts recognized in statement of comprehensive income:

| | |
|---|---|
| Amortization of property - right-of-use asset | $63 |
| Interest on financial liability | 9 |

The weighted average incremental borrowing rate applied to lease liabilities is 3.95%. The following table presents the contractual maturities of the Corporation's undiscounted lease liabilities at December 31, 2019:

| | Financial lease liability |
|---|---|
| One year or less | $69 |
| One to five years | 137 |
| Total undiscounted lease liabilities | 206 |
| Discounted adjustment | (12) |
| **Lease liabilities** | **$194** |

**13. 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 base lease commitment is $68,563.

**14. 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 | 50,280 |
| Level 3 | – |
| | **$50,280** |

**15. Financial risk management:**

*(a) Credit risk:*
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.

**15. Financial risk management (continued):**

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

| | 2019 | | 2018 | |
|---|---|---|---|---|
| Credit rating | Carrying value | Percentage of portfolio | Carrying value | Percentage of portfolio |
| AAA | $27,188 | 54.4% | $28,386 | 58.1% |
| AA | 9,802 | 19.7% | 9,121 | 18.7% |
| A | 9,998 | 20.1% | 9,261 | 19.0% |
| BAA | 655 | 1.3% | 469 | 1.0% |
| BBB | 2,164 | 4.3% | 1,601 | 3.2% |
| **Total** | **$49,807** | **100%** | **$48,838** | **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, 2019, 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 $1,347,154 (2018 - $1,253,750).

***(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 $934.6 million in 2019 (2018 - $903.9 million).

**16. Remuneration:**

Remuneration paid to key personnel during the year includes the following expenses:

| | 2019 | 2018 |
|---|---|---|
| Directors' fees | $91 | $69 |
| Salaries | 735 | 709 |
| Other benefits | 73 | 79 |
| | **$899** | **$857** |

**17. Subsequent event:**

PACICC will introduce a risk-based Administrative Assessment Framework on January 1, 2020 that will result in an Administrative Assessment for each PACICC Member that is the larger of a Base Assessment (set at $10,000, as recommended by management) or a PACICC Budget allocation, based on that Member's share of the Minimum Required Capital for all Members, as measured by MCT/BAAT. This new risk-based framework, which follows OSFI's risk-based assessment model, removes PACICC's reliance on Direct Written Premiums (an accounting concept that is being phased out with new International Financial Reporting Standards).

### 2019/20 Board

**Glenn Gibson**
**Chair**
*President and CEO*
The GTG Group

**Alister Campbell**
*President and CEO*
PACICC

**Andrew Cartmell**
*President and CEO*
Saskatchewan Government Insurance

**Louis Durocher**
*President and CEO*
Heartland Farm Mutual Inc.

**Heather Masterson**
*President and CEO*
Travelers Canada

**Dave Oakden**
*Consultant*

**Lynn Oldfield**
*President and CEO*
AIG Insurance Company of Canada

**Bruce Thompson**
*Consultant*

**Martin Beaulieu**
*Senior Vice President and Chief Risk Officer*
Intact Financial Corporation

**Pete Walker**
*Chief Technical Underwriter*
Aviva Canada Inc.

### Board Committees

***Audit and Risk***
Bruce Thompson (Chair)
Louis Durocher
Glenn Gibson
Heather Masterson
Dave Oakden

***Governance and Human Resources***
Glenn Gibson (Chair)
Martin Beaulieu
Andrew Cartmell
Lynn Oldfield
Pete Walker

***Pre-Insolvency Regulatory Liaison***
Glenn Gibson (Chair)
Alister Campbell
Dave Oakden
Bruce Thompson

**Lawrie Savage (President, Lawrie Savage & Associates Inc.) and Don Fox (Executive Vice President, Intact Financial Corporation) retired from the PACICC Board in 2019.*

## Staff 2019-2020

**Alister Campbell**
*President and Chief Executive Officer*

### Full-time staff

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

**Ian Campbell**
*Vice President, Operations*

**Denika Hall**
*Manager, Operations*

### Contract and part-time staff

**Jim Harries**
*Special Advisor, Governance and Risk*

**Randy Bundus**
*Corporate Counsel*

**Paul Kovacs (former President and Chief Executive Officer) retired from PACICC in 2019*

### Address

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## Provincial regulators

### British Columbia
**Frank Chong**
*Vice President and Deputy Superintendent, Regulation*
B.C. Financial Services Authority
555 West Hastings Street, Suite 2800
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Vancouver, British Columbia V6B 4N6
Tel: (604) 653-7495
www.bcfsa.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
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
www.fcaa.gov.sk.ca

### Manitoba
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*Deputy Superintendent for Insurance*
Financial Institutions
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Winnipeg, Manitoba R3C 4K5
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www.mbfinancialinstitutions.ca

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*Chief Executive Officer*
Financial Services Regulatory Authority of Ontario
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### Québec
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*Superintendent of Solvency*
Autorité des marchés financiers
2640, boulevard Laurier 6e étage
Québec, Québec G1V 5C1
Tel: (418) 525-0337
www.lautorite.qc.ca

### Nova Scotia
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*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
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Halifax, Nova Scotia B3J 3C8
Tel: (902) 424-7552
www.novascotia.ca/finance

### Prince Edward Island
**Robert Bradley**
*Superintendent of Insurance*
Department of Justice and Public Safety
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Charlottetown, PEI C1A 7N8
Tel: (902) 368-4550
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**New Brunswick**
**Angela Mazerolle**
*Superintendent of Insurance*
Financial and Consumer Services Commission
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Tel: (886) 993-2222
www.fcnb.ca

**Newfoundland and Labrador**
**Renee Dyer**
*Superintendent of Insurance*
Financial Services Regulation Division
Service NL
Government of Newfoundland and Labrador
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www.servicenl.gov.nl.ca

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Yellowknife, NT X1A 2L9
Tel: (867) 767-9171
www.fin.gov.nt.ca

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**Marni Bramabat**
*Superintendent of Insurance*
Department of Community Services
2130 Second Avenue, 3rd Floor
P.O. Box 2703 (C-5)
Whitehorse, Yukon Y1A 2C6
Tel: (867) 667-5111
www.community.gov.yk.ca

**Nunavut**
**Sean Michel Clark**
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Department of Finance
Government of Nunavut
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Iqaluit, Nunavut X0A 0H0
Tel: 1 (800) 316-3324
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
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) |
| Canadian Premier General Insurance Company | Compagnie d'assurances générales Première du Canada (La |
| 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 |
| Compagnie Française d'Assurance pour le Commerce Extérieur | Compagnie Française d'Assurance pour le Commerce Extérieur |
| 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. |

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|---|---|
| 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 |
| 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) |
| Liberty Mutual Insurance Company | Compagnie d'Assurance Liberté Mutuelle (La) |
| Liberty Specialty Markets Bermuda Limited | Liberty Specialty Markets Bermuda Limited |
| Lloyd's Underwriters | Les Souscripteurs du Lloyd's |
| MAX Insurance | MAX Insurance |
| Mennonite Mutual Insurance Co. (Alberta) Ltd | Mennonite Mutual Insurance Co. (Alberta) Ltd |
| Millennium Insurance Corporation | Millennium Insurance Corporation |
| Missisquoi Insurance Company (The) Mitsui | Compagnie d'Assurance Missisquoi (La) |
| Sumitomo Insurance Company Ltd. Motors | Compagnie d'Assurance Mitsui Sumitomo Limitée |
| Insurance Corporation | Compagnie d'Assurance Motors (La) Réassurance |
| Munich Reinsurance America Inc. | Munich Amérique, Inc. |
| Mutual Fire Insurance Company of British Columbia (The) | Mutual Fire Insurance Company of British Columbia (The) |

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|---|---|
| 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 |

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| 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 |

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| 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 |
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| Verassure Insurance Company | Compagnie d'assurance Verassure |
| Virginia Surety Company Inc. | Virginia Surety Company Inc. |
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| 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 |
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| XL Specialty Insurance Company | Compagnie d'assurance XL Spécialité |
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| Zenith Insurance Company | Compagnie d'Assurance Zénith |
| Zurich Insurance Company | Zurich Compagnie d'Assurances SA |

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