Solvency Matters

A quarterly report on solvency issues affecting P&C insurers in Canada

PACICC

Issue 9 - March 2020

Insolvency protection for home, automobile and business insurance customers

PACICC Priorities

Priority Issue for 2019

Coverage and Benefits Review

Work continues to implement the changes approved by PACICC's Board of Directors at their November 2019 meeting. PACICC received regulatory approval for the proposed changes to the Memorandum of Operation on March 13, 2020.

...Continued on Page 2.

Emerging Issues (David Wilson)

Challenges of Conserving/Liquidating a Company Regulated by Multiple Jurisdictions – It Can be Done Successfully!

This article demonstrates that early intervention, co-operation among regulators, effective and early communication and co-operation with Guaranty Funds can help to avoid a catastrophic mess.

...Continued on Page 4.

P&C Insurers Positioned Well in a Difficult First Quarter (Grant Kelly)

Canada has dealt with a series of negative economic shocks in the first quarter of 2020. An oil price war between Saudi Arabia and Russia caused a fall in oil prices in early March.

...Continued on Page 6.

Risk Officer's Forum (Ian Campbell)

Upcoming Risk Officer's Forum meetings and webinars

Next Forum Meeting – Wednesday, April 1

Location: Online – Contact Ian Campbell (icampbell@pacicc.ca) to register and obtain meeting access information

...Continued on Page 8.

From the Desk of the President (Alister Campbell)

Last fall, I took the stage at the National Insurance Conference of Canada wearing a Maytag repairperson's hat. As I did so, a YouTube video of the very first Maytag ad was up on the screens.

...Continued on Page 9.

Industry Events

April 1
PACICC Risk Officer's Forum Meeting - Online

April 9
PACICC Annual General Meeting - Online

May 20
PACICC Emerging Risks Webinar - Collision Avoidance Systems and Automated Driving

September 17
PACICC Risk Officer's Forum Meeting

October 21
PACICC Emerging Risks Webinar - Government Regulation

New dates

October 19-10
Canadian Insurance Financial Forum (CIFF)

November 9-10
InsureTech North

Priority Issues: 2020 to 2022

Priority Issue for 2019
Coverage and Benefits Review

Work continues to implement the changes approved by PACICC's Board of Directors at their November 2019 meeting. PACICC received regulatory approval for the proposed changes to the Memorandum of Operation on March 13, 2020. The PACICC Board of Directors will be asked to give final approval to the amendments at their April meeting. These changes will mean the first significant enhancements in policyholder benefits since 2006 – a major milestone for PACICC and the industry.

There are three other items outstanding from the Board Resolution approved last November:

- At its April 2020 meeting, the PACICC Board will consider a documented policy for the processing of hardship claims
- PACICC requested assistance from reinsurance brokers to cost a reinsurance-type financial contract to provide PACICC with additional funds if a Member Insurer were to fail following a natural catastrophe. An RFP process was launched with scenarios and options ready for review and potential approval by the Board in November of 2020
- PACICC will assist Insurance Bureau of Canada to encourage provincial policymakers to move payment of auto accident benefit claims to the Uninsured Motorist Compensation Fund in Alberta, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador, consistent with the approach established in Ontario.

"Permanent Priority" Issue
Mitigating Systemic Risk from Quake

Despite sustained efforts from PACICC and IBC over recent years, we have not yet achieved a satisfactory resolution of the largest single risk facing PACICC and the Canadian P&C industry – systemic contagion driven by a large earthquake. The PACICC Board will consider a detailed Action Plan to guide the efforts of PACICC staff on this issue. The Plan will be revisited annually until a Federal backstop mechanism is in place.

In the first quarter of 2020 PACICC:

- Partnered with the Institute for Catastrophic Loss Reduction to make regulators aware of new science regarding seismic risk and the risks of large fire losses following an earthquake in Quebec
- Created a Working Group of Members to review PACICC's Assessment Framework and make recommendations to the PACICC Board for its November 2020 meeting
- Worked with the IBC Earthquake Working Group to develop possible mechanisms for consideration by Finance Canada.

Priority Issue for 2020
Expanding PACICC's Resolution "Toolkit"

When it was first established, PACICC was granted many of the powers of a "resolution authority." However, we have rarely had the opportunity to use them. Evolving circumstances increase the likelihood that, in future, PACICC will be called upon to exercise these powers. However, prior to doing so, it would be vastly preferable if PACICC had established, in collaboration with Member Insurers and regulatory partners, the criteria which would be used by our Board to determine if, and how, to engage. It would also be wise for PACICC to develop a better understanding of how to operationalize these tools in practice, before ever being called upon to do so.

PACICC's four-point Action Plan includes:

1. **Communicate the idea of "Resolution"**
   Plans to hold a CEO workshop in June 2020 at the Northwinds Conference and for PACICC's CEO to speak at the Canadian Insurance Financial Forum were postponed due to the COVID-19 virus. Staff will develop alternative means of engaging with industry leadership on this topic.
2. **Secure the "Runway"**
   A new Guide to Intervention for British Columbia is expected to be released by the regulator soon. PACICC is working with regulators in Alberta and Saskatchewan to modernize the Guides to Intervention in these provinces.
3. **Fix PACICC's "Plumbing"**
   PACICC's Pre-Insolvency Regulatory Liaison Committee has developed a proposal regarding governance. This would address situations where PACICC was approached by an insurance regulator, and believed that alternatives to liquidating a distressed Member Insurer could produce better outcomes for policyholders and would be demonstrably less expensive for the industry. This proposal will be reviewed by the PACICC Board at its April 2020 meeting.
4. **Get Specific on Potential Tools**
   PACICC staff is developing guidance for PACICC's Board of Directors on the types of reinsurance that could be used, and how PACICC could assist with the sale of assets to resolve a distressed Member Insurer.

Priority Issue – 2021
Contingency Planning and Desktop Simulations

PACICC constantly works to upgrade its capabilities to respond to an insolvency. In 2019, the focus was on upgrading our internet and social media response capabilities. We have also begun to build out a modernized, step-by-step, Insolvency Contingency Plan, with an associated Communications Plan, including pre-prepared materials and back-up infrastructure.

Other than live testing in a real-life case, the best method for testing Contingency Plans is via "desktop" simulations. The AMF has agreed to conduct a simulation with PACICC in 2021.

Priority Issue – 2022
Strategic Evaluation of PACICC Branding (Internal/External)

A core component of the PACICC three-part Mission is to "maintain consumer confidence in Canada's P&C industry." This obligation is also a consistent element in the objectives of all the other policyholder protection entities in Canada. Many of these schemes have consumer-facing, branding strategies as part of their effort to maintain and grow confidence in their sectors of financial services. In 2022, PACICC will evaluate if and how it might expand its branding footprint – drawing on best practices in Canada and internationally.

Within the industry, there are also opportunities to materially enhance stakeholder awareness, particularly given the absence of any recent insolvency. Brokers and agents could be a significant target market for branding and increased awareness. The proposed Strategic Evaluation would examine ways in which PACICC could enhance industry understanding of the essential value that PACICC brings to the consumer trust equation.

Emerging Issues

Challenges of Conserving/Liquidating a Company Regulated by Multiple Jurisdictions – It Can be Done Successfully!

- by David Wilson

This article demonstrates that early intervention, co-operation among regulators, effective and early communication and co-operation with Guaranty Funds can help to avoid a catastrophic mess.

Background, Characteristics and Concerns

This is a story of CastlePoint National Insurance Company (CastlePoint). CastlePoint was the successor to 10 property and casualty insurance companies that were domiciled in six states known as the Tower Insurance Group (Tower). These 10 companies wrote a myriad of products in 47, states with the largest writings in California (workers' compensation) and New York (commercial general liability). Tower/CastlePoint (Group) experienced rapid growth from 2008 to 2011, principally by acquisitions. Its merger with CastlePoint Reinsurance (CastlePoint Re) Company, Bermuda and Specialty Underwriters' Alliance, Inc. (SUA) (both public companies), resulted in the explosive growth of program business with underwriting dictated by MGAs not affiliated with Tower.

On October 7, 2013, the holding company for the Group announced that the Group's aggregate loss reserves were strengthened by $365 million. Prior period financial statements were restated, and the Group's stock price went from $21 per share to just under $4. A.M. Best and Fitch ratings were downgraded.

In September of 2014, the Tower companies were acquired by ACP Re. AMTrust Financial was retained to manage the commercial lines claims of Tower and National General Holdings Corp. (NGHC) was retained to manage the personal lines claims. Stop-loss reinsurance in the amount of $250 million was put in place with CastlePoint Re for a premium of $56 million, which did not kick in until liquidated losses hit $1.3 billion. During the next 15 months, the financial condition of the Group continued to deteriorate. In 2015, the Group's consulting actuaries determined that loss reserves were deficient by $400 million. The Group increased its estimate of carried reserves by more than $500 million at year-end 2015. The deterioration was the result of Tower's growth by acquisition in 2008 and 2009, most particularly, its acquisition of SUA. SUA's business was exclusively produced by MGAs and was very heavily concentrated in California workers' compensation. Tower had included SUA (renamed CastlePoint National Insurance Company) in its insurance pool, along with its other licensed insurance companies.

Companies writing workers' compensation in California are required to place on deposit with the State's treasury office an amount that is equivalent to the reserves (for the business written in the state). The amount is determined actuarially. Those monies can only be used for the benefit of injured Californian workers and can only be released with approval from the Insurance department. In the case of Tower, that amount was approximately $330 million. As reserve deficiencies are identified, additional deposits are required. Since the deposits are not available to pay "general" claims, the deposits create a liquidity problem with the daily payment of claims. As the investment portfolios of these three companies were restricted, their liquidity became constrained, stressing the liquidity of the entire group. These three companies became unable to provide for intercompany settlements due to the illiquid nature of their investment portfolio with assets being restricted to support deposit balances. The Group submitted solvent run-off plans to the regulator group, assuming the commutation of the stop-loss reinsurance from ACP Re and using the $500 million reserve strengthening from 2015. Those plans were insufficient due to the loss reserve deficiency and illiquid assets. By 2015, the company had liabilities in excess of $1 billion, and by 2016, the company had run out of capital due to continued reserve strengthening.

Preliminary Action

In December of 2015, the California Department of Insurance (CDOI) began a targeted examination on CastlePoint National (a California domestic and member of the group) and immediately recognized liquidity issues, loss reserve deficiencies and challenges of liquidating a group of pooled companies with numerous domiciliary states.

The following steps were taken:

- An actuarial review was performed, including projected future cash flow needs. The loss reserves which were previously strengthened by the Group by more than $500 million were found to be deficient by an additional $200 million, which created the insolvency.
- In early 2016, California regulators began working with the other domiciliary regulators to develop a plan to address the increasingly distressed financial condition of the Group's companies in a manner that would best protect policyholders and creditors.
- After extensive discussions with the California Commissioner of Insurance and the six domiciliary regulators, it was decided that the best course of action was to merge the 10 Tower insurance companies into CastlePoint and immediately place the merged entity into statutory conservation in California.
- The Conservation Order was issued on July 28, 2016, allowing, among other things, for the conservator to continue making benefit payments, <u>but only up to the Guaranty Fund limits</u>. The California-domiciled company (CastlePoint) was used as the lead company because a significant portion of the Group's assets were on deposit in California to support workers' compensation reserves. <u>The primary purpose of this merger was to allow for an efficient and orderly conservation process by obviating the need for 10 receivership proceedings in six different domiciliary states and to prepare the company for its inevitable liquidation</u>.
- Early in the process, confidential discussions were held with the National Conference of Insurance Guaranty Funds (NCIGF) to advise the guaranty fund members of the pending receivership, as well as the number and type of claims files they would receive for staffing purposes when CastlePoint was placed into Liquidation (such Liquidation was contemplated at the time of the Conservation Order).
- During the conservation process, the California Liquidation Office transitioned imaged files by means of a two-stage process. Data was downloaded up to a certain date and then supplemented with an additional updated data feed shortly before liquidation. This allowed more time to transition voluminous records and afforded the guaranty funds the opportunity to load this data onto their systems.

Corrective Action

- The Conservator immediately filed a <u>Conservation and Liquidation Plan</u> with the California Court, which included commuting the stop loss agreement with ACP Re for a cash payment/infusion of $200 million. This $200 million acted as a liquidity bridge to fund policyholder claims while the Group prepared for its ultimate liquidation.
- Claims servicing agreements were executed with AmTrust and National General.
- Claims extracts were shared with affected insurance guaranty funds and claim files were prepared for the ultimate transition to the guaranty funds in 47 states.
- Effective April 1, 2017, the Group was placed into Liquidation.
- On Liquidation, the Conservator pre-funded two months of workers' compensation benefits (four months in the case of New York) to claimants during the transition of the claim files to the affected guaranty funds.

Lessons Learned

- Discussions and co-operation between the state insurance departments on multi-state receiverships can effectively and efficiently result in lower administrative costs and higher ultimate distributions to creditors.
- The Tower Pool is being run-off with a centralized reinsurance collections unit. Under a multi-state run-off, there would be six different reinsurance collection units created to manage the recovery of Tower's largest non-investment asset.
- <u>Communication with guaranty funds is centralized</u>. Under a multi-state run-off, guaranty funds would be reporting claim activity to six different domiciliary states.
- A multi-state run-off would have necessitated an unwinding of the tower pooling agreement. This unwinding would have created a significant mismatching of liabilities with the remaining liquidity, and precluded the planning period that permitted the transfer of files to the guaranty funds without disruption to workers' compensation claimants.
- The unwinding of the Tower Pool would also have created intercompany reinsurance arrangements that would have been managed by the domicile reinsurance collection units, further increasing the cost of reinsurance collection.

P&C Insurers Positioned Well in a Difficult First Quarter - by Grant Kelly

Canada has dealt with a series of negative economic shocks in the first quarter of 2020. An oil price war between Saudi Arabia and Russia caused a fall in oil prices in early March. This significant adverse event occurred before the impact of the COVID-19 virus introduced Canadians to the meaning of new terms such as “social distancing” and “flattening the curve.” As I write this piece, the economic impacts of the global pandemic are still roiling the Canadian and global economies. PACICC’s mission is to protect Canadian policyholders from undue loss in the rare circumstance that their insurer fails. This article seeks to explain some of the impacts that these shocks might have on the solvency of Canada’s P&C insurers.

On February 20, 2020, the TSX Index closed at 17,994.06. By March 17th, this index had dropped by 29.5% to 12,685.21. We have examined the impact of this significant drop in the value of the stocks held by 178 P&C insurers. PACICC does not have access to details regarding the particular investments of Member Insurers, however, Member Insurers do provide a summary of their investments in their regulatory filings. The filings show that they, as an industry, invested 70 percent of their portfolios in bonds while 25 percent of industry investments were held in common and preferred stocks. The remainder was held as cash, with an additional small amount in real estate. Obviously, the dramatic meltdown in market values was bad news for all investors, including many of Canada’s P&C insurers.

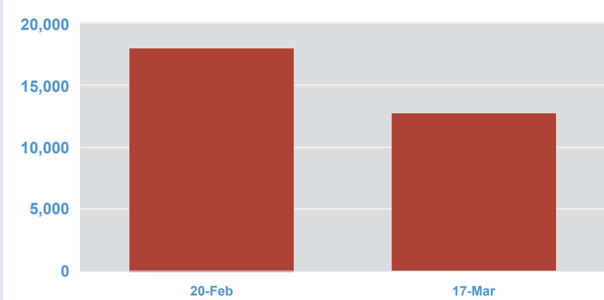
There is some positive news in our research. Half (89) of Canada’s P&C insurers reported holding no common or preferred stocks at all. This means that the 29.5% decline in the stock market had zero impact on the solvency of half of PACICC’s Member Insurers. However, for the insurers that did hold equities, their capital base was likely negatively impacted. PACICC estimates that P&C insurers that held stocks lost, on average, 5% of their capital base.

This negative capital impact will be offset by two factors. First, in response to the economic crisis, yields have fallen and the Bank of Canada has cut the prime rate by one full percentage point since February. This will increase the value of the bonds that are being held by every insurer. On average, the duration of a Canadian insurer’s bond portfolio is approximately four years. So, falling yields will likely benefit all 178 insurers in our sample. And further rate cuts are possible. Each half-percent cut in interest rates increases the value of the industry’s existing bond portfolio by $1.7 billion. So, at a high level, the one percent rate decrease by the Bank of Canada has likely increased insurers’ bond portfolio value by $3.4 billion.

The second significant factor that will benefit P&C insurers lies in the reduction in claims that will result from “social distancing.” Social distancing is an extreme measure that should result in fewer auto claims. Why? Efforts to contain the new Coronavirus include widespread travel bans and quarantine restrictions across the country. Reduced economic and social activity will mean there are fewer cars and thus fewer car crashes on the roads in Canada. In the first quarter of 2019, Canadian insurers paid $5.4 billion in auto claims. As more people self-isolate at home, there are likely to be fewer large personal property claims too. For instance, large water-loss claims often occur when homes are left unattended. Similarly, P&C insurers paid $1.9 billion in Personal Property claims in the first quarter of 2019. Even a small reduction in Personal lines claims costs in the first quarter of 2020 (between 1% to 5%) would allow PACICC Member Insurers to increase their capital base from $200 million to $1 billion.

The shocks to Canadian society over the past month have created many new worries for Canadians. PACICC’s analysis suggests that the solvency of our nation’s P&C insurers should not be a significant short-term source of concern. PACICC’s Member Insurers were well-capitalized going into this crisis and appear well-positioned to fulfil their commitments to policyholders. However, in the medium- and longer-term, our industry is simply a proxy for the growth and prosperity of our nation. As Canada suffers, so too will our industry. All the more reason for governments, industry and citizens to do all we can to tackle this virus and return our nation to full health, as soon as possible.

TSX index has lost 29.3% of its value between Feb 20 and March 17, 2020



Source: PACICC based on data from MSA Research

Solvency Analysis

- by Grant Kelly

Year-end financial results for Canada's property and casualty insurance industry show that Canada's insurers entered 2020 with a record $51.1 billion in capital. Insurers were able to build on their capital base in 2019, as they posted a small underwriting profit and a return on equity of 7.6 percent. This is only slightly higher than the 6.4 percent return on equity posted in 2018. We write this in late Q1 fully conscious that market developments and a global pandemic mean that insurers' levels of capital will be tested in 2020.

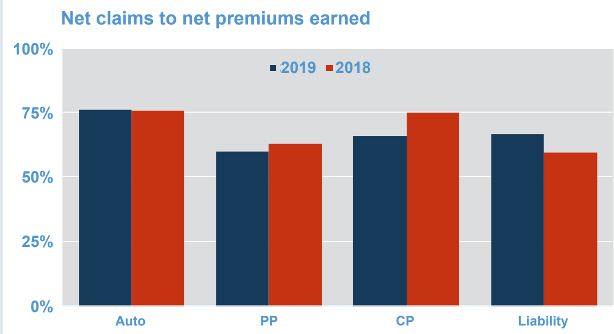
The moderate level of profitability in 2019 was the result of improved underwriting results in the second half of the year. The combined ratio for the year was 98.3 percent – a small improvement over the 98.9 percent posted in 2018.

It is disturbing to see that Auto loss ratios worsened marginally in 2019. Improvements in most regions of Canada were offset by a 5 percentage point increase in the Ontario Auto loss ratio, compared to 2018. Despite improving results in New Brunswick and Alberta, sustained high loss ratios make these markets a continued drain on the capital base of Member Insurers.

Underwriting results for Personal and Commercial Property improved in 2019. However, results for Commercial Liability worsened in the year, driven by sharply higher loss ratios in Ontario (72.8% from 57.7%) and Quebec (70.3% from 50.5%). Most types of Liability insurance reported higher loss ratios in 2019 but exceptions to this trend included Cyber, Professional, Pollution and Other.

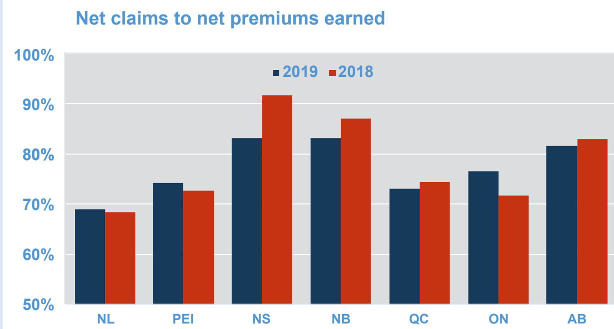
P&C insurers benefited from a decline in interest rates in 2019. P&C insurers hold 70 percent of their invested assets in bonds, and saw the return on these investments rise from 2.1 percent in 2018 to a robust 3.6 percent in 2019. While these returns seem small, they did result in a meaningful 77.5 percent increase in investment income.

Loss Ratios



Source: PACICC based on data from MSA Research

Auto Loss Ratios



Source: PACICC based on data from MSA Research

Select Solvency Indicator Ratios

($ millions)	2019	2018
Average Equity	$51,127	$49,136
Return on Equity (ROE)	7.6%	6.4%
Return on Investment (ROI)	3.6%	2.1%
Comprehensive ROE	9.6%	3.9%
Comprehensive ROI	4.5%	0.9%
MCT Ratio (Capital Available/ Capital Required)	237.1%	237.2%
BAAT Ratio (Net Assets/Capital Required)	315.2%	338.5%

2019 Financial Year Results

($ millions)	2019	2018	Percentage Change
Direct Premiums Written (DPW)	$65,124	$59,093	10.2%
Net Pemiums Earned (NPE)	$53,238	$51,334	3.7%
Net Claims Incurred	$35,513	$34,824	2.0%
Operating Expenses	$16,828	$15,954	5.5%
Underwriting Income	$1,160	$787	47.3%
Net Investment Income	$3,984	$2,244	77.5%
Net Income	$3,860	$3,134	23.2%
Combined Ratio	98.3%	98.9%	
Loss Ratio	66.7%	67.8%	

Source: MSA Research as of March 24, 2020

PACICC Risk Officer's Forum

Upcoming Risk Officer's meetings and webinars - by Ian Campbell

The Risk Officer's Forum seeks to enhance risk management within the P&C insurance industry by:

- Discussing and sharing risk management best practices within the industry;
- Reviewing and communicating topical risk management information;
- Serving as a risk management resource for PACICC and for insurance regulators;
- Discussing major existing risks and significant emerging risks within the industry; and
- Providing resources and information to facilitate research of risk management and related governance topics.

Officer's Forum Meetings

Three half-day Forum meetings are held each year in downtown Toronto. The meeting are from 1:00-4:00 p.m. The meetings begin with a guest speaker on a topical industry issue. This is followed by a rotating panel of industry stakeholders who discuss current ERM issues. Discussion is collegial, frank and interactive. Regulators may only attend as guest speakers. Media are not permitted to attend.

N.B. Due to the pandemic our upcomig forum meeting will be held online

Next Forum Meeting – Wednesday, April 1

Location:	**Online**, Contact Ian Campbell (icampbell@pacicc.ca) to register and obtain meeting access information
Keynote: Topic:	**Penny Lee**, Senior Director, P&C Insurance Group, Insurance Supervision Sector, OSFI *Update on Current Issues in the P&C Insurance Industry*
Presentation: Topic:	**Paul Kovacs**, Executive Director, Institute for Catastrophic Loss Reduction *The New Science of Large Earthquakes in Canada*

Emerging Risks Webinars

Three Emerging Issues Webinars are held each year (always from 1:00-2:30 p.m. Eastern Daylight Time). The webinars connect Forum members across Canada in a deep-dive discussion on technical aspects of a specific ERM issue. Questions are received in advance to help guide discussion. Copies of all past webinars are available on the PACICC website (www.pacicc.ca).

Next Emerging Risks Webinar – Wednesday, May 20

Speaker: Topic:	**Matt Moore**, Senior Vice President, Highway Loss Data Institute, IIHS *Collision Avoidance Systems and Automated Driving*

For event registration information (pre-registration is required) or to be included in future Risk Officer's Forum member advisories, please contact Ian Campbell, Vice President, Operations, PACICC at icampbell@pacicc.ca or 416/364-8677, Ext. 3224.

Ian Campbell is Vice President - Operations at PACICC

From the Desk of the President

- by Alister Campbell

Last fall, I took the stage at the National Insurance Conference of Canada wearing a Maytag repairperson's hat. As I did so, a YouTube video of the very first Maytag ad was up on the screens. Those above a certain age (like me), will well remember the legendary Madison Avenue marketing campaign built around "the loneliest repairman in the world." As CEO of PACICC, I have often referred to myself as playing the modern insurance version of that role. I am in charge of the Canadian institution that manages P&C insurance company failures…in a country with such good insurance companies and regulators that none ever fails (at least not recently)!

This Spring, we will be publishing the latest instalment in our *Why Insurers Fail series – Lessons Learned from the Failure of Reliance Insurance Company*. Our VP of Operations Ian Campbell has brilliantly captured the extraordinary story of what remains the largest P&C insurer failure ever in the United States, as well as the fascinating sidebar of how PACICC managed the "solvent liquidation" of the much smaller Canadian Branch. It is a gripping read and a sobering reminder of how well-regarded companies can fall from grace…and become insolvent.

It would be fair to acknowledge that the Reliance failure was almost 20 years ago…so, perhaps the lessons learned have now been fully integrated into improved insurer and regulatory best practice here in Canada. Perhaps the risk of failure is thus much smaller and much less a matter of concern? But, having spent last week in Frankfurt, leading a workshop with the European Insurance and Occupational Pensions Authority (EIOPA), I can assure our readers that failure remains a very live topic in our insurance sector. Five Gibraltar insurers (Lemma, Enterprise, Horizon, Elite and Lamp), three Romanian insurers (City, Astra and Carpatica), a substantial Liechtenstein insurer (Gable), and two Danish Insurers (Alpha and Qudos) have failed in the last decade. Several of these had more than a million policyholders – spread across multiple European Union member states! All of this, in a region moving firmly towards Solvency II regulatory capital and regulatory requirements.

These significant European failures serve as a sobering reminder that, even in the sophisticated regulatory environments of developed nations, insurer failure remains a reality. For those wanting more cause for concern, simply Google "CBL Insurance" to learn more about the New Zealand-domiciled but multinational insurer, whose 2018 failure continues to have ripple effects around the world.

Even more sobering though is the failure of Merced Insurance in California, in the Fall of 2018. A victim of the "Camp" wildfire, the 112 year-old company failed within weeks of the event. Canadian history would show us that, by and large, insurers fail in slow motion, with warning signals accumulating over time. But the Merced case demonstrates just how rapidly can come failure in a "Nat-Cat-triggered default" scenario. And, in a country like Canada, which is so exposed to wildfire…and mega-quake, it is certainly enough to keep a PACICC repairperson up at night!

P.S. I hope that you enjoy this latest issue of *Solvency Matters*. And, for those who particularly enjoyed my litany of failure above, I especially recommend the fascinating tale of the CastlePoint Insurance insolvency, as told in our Guest column by David Wilson, CEO and Special Deputy of the California Conservation and Liquidation Office.

Alister Campbell is President and Chief Executive Officer at PACICC