PACICC

Property and Casualty Insurance Compensation Corporation

Insolvency protection for home, automobile and business insurance customers

2020

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 2020

- After securing approval in the Spring from the Canadian Council of Insurance Regulators (CCIR), Member Insurers and our Board, we introduced important changes to PACICC's framework of Coverage & Benefits. In some areas, these were the first modernizations since 1989. In others, the amendments were the first since 2006. All of the changes made – which were the outcome of a year-long consultation exercise – were material and a very strong expression of our industry's commitment to policyholder protection. As agreed with CCIR, we will initiate a follow-up review in 2023, with a particular focus on the potential benefits of regional deviation in benefit limits. After this review, we will then embed a regular five-year review cycle into our operating model.
- In 2020, we published an Industry Consultation Paper and an accompanying Survey to ensure a broad-based industry conversation on Resolution. We received Survey responses from 80 percent of the industry (by market share) along with a comprehensive response from IBC (which had formed a Special Working Group just for this purpose). The net result of all of this feedback was very strong support for the basic principle of pre-liquidation engagement, and strong support for the utilization of many of the tools we had proposed as examples. We re-formulated our draft "Criteria" and created a Resolution Protocol which fully reflected the key themes in the industry feedback. This Protocol was approved by our Pre-Insolvency Regulatory Liaison (or "PIRL") and our Board, taking effect immediately in November.
- We published the latest in our *Why Insurers Fail* series – "*Lessons Learned from the Failure of Reliance Insurance Company.*" This paper captures the extraordinary story of what remains the largest P&C insurer failure ever in the United States, as well as an important sidebar on how PACICC managed the "solvent liquidation" of the much smaller Canadian Branch.

Contents

- Through a series of Requests for Standing Offer, we signed five-year Agreements with a comprehensive list of pre-qualified financial service providers that PACICC may call upon for assistance in the management of future industry insolvencies.
- We hosted three Risk Officer's Forum Meetings in 2020, as well as three Emerging Risks Webinars. Registrations have doubled for our Risk Officer's Forum meetings and for our Emerging Risks Webinars in this COVID-19 year.
- The working relationships that we have established with key prudential regulators have been materially enhanced by the establishment of published Guides to Intervention. In addition to the Intervention Guides we have in place with the AMF and OSFI, we secured a published Guide to Intervention with the newly constituted BCFSA in 2020. Excellent progress is being made toward the establishment of similar Guides with Alberta, Ontario and Saskatchewan. Our goal is to have structured arrangements in place with all provinces that provide prudential supervision of provincially-licensed insurers. The establishment of these Guides represents an important evolution in our safety-net partnership with regulators across the country.
- We published four issues of our new *Solvency Matters* newsletter in 2020, and continue to receive extensive trade press coverage and favourable industry feedback on the issues published so far.
- To address a revenue shortfall and in response to significant changes in market structure since PACICC was established in 1989, PACICC's Board approved a change in the methodology used to determine Member Administrative Assessments, effective January 1, 2020. This methodology, based on Total Minimum Capital Required, and aligned with OSFI best practice, ensures that we now use a modern and risk-based framework for our Administrative Assessments.

This past year was a productive one for PACICC and generally a positive year for the industry, despite the challenges faced with a global pandemic that is carrying well into 2021.

Through the first three quarters of 2020, Canada's property and casualty insurers generated sustainable earnings that allowed the industry to build its capital base to $52.6 billion. This is the most capital that insurers have ever held in Canada. Strong, resilient capital is the foundation of the insurance industry and this firm base should allow insurers to play a strong role in assisting Canada's rebound from the COVID-19 pandemic in 2021.

After securing approval in the Spring from the Canadian Council of Insurance Regulators (CCIR), Member Insurers and our Board, PACICC introduced important changes to its framework of Coverage and Benefits. In some areas, these were the first modifications made since 1989. The changes followed a year-long consultation exercise. They were both material and a very strong expression of our industry's commitment to policyholder protection. We are grateful for our Members' active engagement throughout the process, and for the strong support shown for the changes introduced. As agreed with CCIR, PACICC will initiate a follow-up review in 2023, with a particular focus on the potential benefits of regional deviation in benefit limits. After this review, a regular five-year review of our operating model will be incorporated into the Corporation's planning cycle.

"After securing approval in the Spring from the Canadian Council of Insurance Regulators (CCIR), Member Insurers and our Board, PACICC introduced important changes to its framework of Coverage and Benefits. In some areas, these were the first modifications made since 1989."

I should note that PACICC Members embraced these increases in benefit limits and other adjustments to coverage, despite deep concerns regarding the continued absence of some form of federal mechanism to protect Canadian consumers from the consequences of systemic risk correlated with a major earthquake in Canada. PACICC has declared repeatedly over the last few years that our current model would be stressed to the breaking point in the case of such a major natural catastrophe. The enhanced coverage and benefit changes implemented in 2020 only amplify the urgency of addressing this shortfall in Canada's public infrastructure. CCIR's plan to work closely with PACICC on earthquake last year – to explore how it could help us to secure an optimal outcome that better protects all stakeholders – was postponed due to the global pandemic. PACICC is urging CCIR Members to resume planning for formal dialogue on this issue as soon as is practicable in 2021.

When PACICC was founded, it was granted broad powers to act in advance of liquidation and to potentially utilize industry funds to help mitigate the effects of (or even avert) a Member Insurer failure. Last July, we published an Industry Consultation Paper and Survey on resolution options which was shared with Members. Given that PACICC already has the power to act, the consultation exercise was not about seeking "permission" from our Member Insurers to exercise such powers, but rather to gain "social permission" from the industry for utilization of these powers in the appropriate circumstances.

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We received very strong Member support for the basic principle of pre-liquidation engagement, and strong support for the utilization of many of the tools we had proposed as examples. We were able to re-formulate our draft "Criteria" and created a Resolution Protocol which fully reflected key themes in the industry feedback. This Protocol was adopted unanimously by our Board in November, taking effect immediately. PACICC will be moving forward this year with a Plan to "road-test" the approved Protocol as part of the work scheduled with AMF and with OSFI – to conduct desktop simulations.

Over the last five years, PACICC working relationships with key prudential regulators have been materially enhanced by the development of published Guides to Intervention. Over the past year, PACICC secured a published Guide to Intervention with the newly constituted BCFSA. Excellent progress is being made toward the establishment of similar Guides with regulators in Alberta, Ontario and Saskatchewan. The goal is to have structured arrangements in place with all provinces that provide prudential supervision of provincially-licensed insurers. The establishment of these Guides represents an important evolution in PACICC's safety-net partnership across the country.

If there can be a silver lining in the ongoing COVID-19 nightmare, it is the fact that our Members have been actively embracing PACICC's online Risk Officer's Forum events in order to remain up-to-date on current and emerging risks in the industry. Registrations doubled for all events over the past year. PACICC has an exciting program of events planned for 2021 and looks forward to continuing strong support from Member Insurers.

I want to thank PACICC's small Management team for the continuing high quality of their work. My Board colleagues and I were particularly pleased to see the team make the adjustments necessary to manage an aggressive workload, avoiding any dislocation caused by COVID-19. I also want to thank each of our Board Members for their professionalism and dedication to PACICC's Mission. A heartfelt thank you to Martin Beaulieu and Pete Walker who retired from our Board over the past year, and a warm welcome to Mark Tullis and Jason Storah who joined the Board in 2020. Board Members' active guidance regarding key issues facing the Corporation make my role as Chair just that much more rewarding. I am very confident that we have the skill sets in place to ensure effective PACICC protection of Canadian consumer interests in the years ahead.

Introduction

The year 2020 was extraordinary in so many ways – and presented us all (as individuals and as businesses) with challenges few can honestly say they had anticipated when Plans for the year were written in the autumn before. It is in precisely such periods, with unexpected systemic shocks, that insurers can fail, and at PACICC, we were doubly alert as a result – throughout this period of uncertainty. I am pleased to say that, as of this moment of writing, the Canadian property & casualty insurance industry has demonstrated (once again) that it is both well-capitalized and responsibly managed. Even better, through comprehensive business continuity planning, insurers have been able to maintain good customer and broker service, while at the same time managing to ensure the health and safety of their employees. As a result, I can once again report that the three-part Mission of PACICC was successfully achieved in 2020.

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I am also pleased to be able to report that the work of PACICC continued apace in 2020, notwithstanding the "lockdowns" and the requirement to have all of our team work from home for such an extended period. We had a particularly ambitious agenda for 2020 and I am proud of the way our small group responded to ensure that we maintained full momentum across all of our Strategic and Operational Priorities.

Strategic Priorities

Coverage & Benefits Review

We began 2020 already in full stride, and in April, at our AGM, our Member Insurers voted unanimously to endorse the first comprehensive modernization of our Coverage & Benefits since our founding in 1989. This outcome (affirmed at what must have been one of the very first "virtual AGMs" in Canada) was the culmination of months of hard work, including a comprehensive industry consultation exercise with a Member Survey which generated responses from more than 80% of the Membership of PACICC. Our Board listened carefully to all the feedback and took a balanced approach in its final recommendations. This balance was clearly respected and appreciated by our provincial and territorial regulatory partners, who unanimously approved our proposed changes.

Expanding our "Resolution Toolkit"

Our 2020 Strategic Priority was to explore options to "Expand our Resolution Toolkit." A research paper, authored by our Chief Economist Grant Kelly, had been published in 2019 as part of our *Why Insurers Fail* series, identifying that there are now 17 insurers in Canada large enough that, should they fail, the required PACICC Assessment to handle all Unpaid Claims and refund Unearned Premiums, would render some other Insurer Members technically insolvent. The paper provided a series of scenarios and identified a corresponding series of potential options for PACICC to engage in resolution actions, prior to liquidation. Following on from this important research, we developed and then executed diligently against a 2020 Action Plan to develop our "resolution toolkit."

The idea of an expanded "toolkit" did not mean that PACICC was asking for broader powers. In fact, when we were first conceived back in 1989, the industry conferred on us substantial authority to engage in precisely these types of resolution actions. However, historically, we have rarely been given the opportunity to use these powers because we were only brought to the table by prudential supervisors at the point where they had already lost confidence in the future viability of the Member Insurer, and were in the process of going to Court to place the troubled company into liquidation. Over the last five years though, Quebec, OSFI and most recently British Columbia have published updated Intervention Guides, which specifically name PACICC and grant us a seat at the table in the period prior to that final liquidation determination. As a result, PACICC now has both the means and the time margin to explore possible resolution alternatives.

Before PACICC could use these powers for the first time, however, our Board felt it was essential that we engage the industry in consultation, and develop an effective protocol and decision-making framework to help guide our actions in such special circumstances. Our Consultation Paper was published on July 31, and I am pleased to report that it served its purpose well. We received thoughtful and comprehensive feedback from 80% of our industry (by market share) as well as a fulsome response from a Special Working Group of the Insurance Bureau of Canada. The final Protocol and accompanying Criteria, adopted unanimously by our Board of Directors in November and fully reflecting this invaluable input from Member Insurers, will help to ensure that, should our Board choose to engage in resolution actions to support the PACICC Mission, we will do so in a manner aligned with industry expectations.

Mitigating Systemic Risk

In the Fall of 2019, our Board approved a 2020 Plan which, for the first time, authorized PACICC staff to pursue two Strategic Priorities in a single year – one of them designated a "Permanent Priority Issue." Given the small scale of the team tasked with achieving this Plan, this was no small challenge. But, it properly reflected the reality that the industry, and PACICC, remains seriously exposed to systemic risk correlated with a major earthquake in British Columbia or the Montreal/Ottawa corridor. And, it also reflected the reality that successfully resolving this problem and plugging this grave gap in the public infrastructure of Canada – best addressed via some form of federal backstop mechanism – was proving to be a long-term challenge.

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We formulated a two-part Action Plan with both broader strategic thrusts and interim mitigating actions. Our team worked hard throughout 2020 on both fronts and I am pleased to report good progress. We believe that the global pandemic has helped illustrate to governments, here and abroad, that it makes sense to have an "in-case-of-emergency-break-glass" plan developed, in advance, to mitigate the consequences of severe tail-risk events. We remain optimistic that our Federal Government will take steps soon to address this critical issue.

Enhancing our Contingency Planning and Preparedness

In our Board-approved Three-Year Plan, we identified enhanced Contingency Planning as our 2021 Strategic Priority. Work has already begun to ensure that we enter the new year ready to go. Our plan is to engage in "desktop simulation exercises," with the AMF and with OSFI, that will allow us to road-test our current protocols and identify areas where we need to adjust our current mechanisms, enhance our capabilities or even fine-tune our governance.

Later in the year, we anticipate a second session with the AMF, which will allow us, for the first time, to explore the potential application of "resolution actions" developed in the course of our work on the "toolkit" in 2020. We intend to engage the Pre-Insolvency Regulatory Liaison (or "PIRL") Committee of our Board, comprising our independent Directors, directly in this work, since it is anticipated that they would play a central role in such scenarios.

Operational Priorities

Financial Management

At the end of 2019, our Board authorized another significant change to our operating model, as PACICC moved to adopt a modernized mechanism for levying the Administrative Assessment required to fund our ongoing operations. The new methodology is risk-based and comparable to that employed by OSFI. I am pleased to report that the implementation of this new model went very smoothly. In parallel, PACICC moved to ensure that it managed with a more sustainable balance between revenue and expenses, and that our operating surplus was replenished. We have managed strictly to ensure that we respect this budget – and the funds entrusted to us by our Insurer Members – and I am pleased to report that we more than achieved our target planned operating surplus at year-end.

Contingency Planning and Readiness

Any organization needs to plan to advance itself on multiple fronts at once. In our case, we had identified several key Operational Priorities to be addressed in parallel with the key strategic initiatives described above. The first, and most important, was to enhance our contingency preparedness, by conducting a comprehensive review of the types of external capabilities and resources we would potentially require to assist us in liquidation or resolution activities, if and when a Member Insurer becomes "distressed." Much time has passed since the last "live-fire" event at PACICC and many of the established service vendors have seen turnover in their ranks.

"This exercise has been particularly productive, and I am now confident that when the call comes from a regulator seeking PACICC's help, we will have access to the skill sets that we need, with pre-negotiated terms of trade that will ensure that we can respond rapidly, effectively and cost-efficiently."

We executed on this operational priority by issuing a formal Request for Standing Offer (RFSO) to providers of services in four key areas; Actuarial Consulting; Advisory and Restructuring; Legal; and Claims Management. In the course of the year, we had direct meetings with 13 prospective vendors and identified a panel of prospective service providers in each of these four crucial sectors. We now know whom we could call upon, how we would interact with them, on what terms and for what cost. This exercise has been particularly productive, and I am now confident that when the call comes from a regulator seeking PACICC's help, we will have access to the skill sets that we need, with pre-negotiated terms of trade that will ensure that we can respond rapidly, effectively and cost-efficiently.

Digital Modernization

There were several other significant operational actions on our priority list for 2020. They included an initiative (which proved particularly timely given the challenges of pandemic "lockdowns") to enhance our capacity to interact with our Member Insurers digitally. We have moved to ensure that we can conduct all of our financial activities via Electronic Fund Transfer (both revenue collection and expense payment), as well as build a comprehensive database to enable e-mail correspondence with all Members. The events of 2020 have accelerated the trend toward digital interactions for all industries – including ours. I am pleased to report that PACICC will be in a position to effectively conduct its operations, and transact efficiently with our Member Insurers, in this modernized environment.

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The dictates of Work-from-Home tested our operational capacities. I am pleased to confirm that we were able to quickly and flexibly respond to the challenges encountered. But, as it became clear that the changed working environment might be more than short-term, it became evident that we needed to modernize and upgrade our Information Technology infrastructure, and simultaneously enhance our IT security. I am pleased to report that this work was fully complete by the end of 2020, and we are now positioned to function effectively, and securely, on a remote basis for as long as is required.

Activities/Engagement

Industry Engagement

In the course of 2020, PACICC invested extra time in ensuring an effective and collaborative working relationship with the Insurance Bureau of Canada. I want to express my appreciation to Don Forgeron and his team for their mutual effort in this regard. Together, we worked on the critical Earthquake file – to develop a new industry consensus on the ideal mechanisms to mitigate systemic risk. We also collaborated on an exercise to explore alternative Assessment Mechanisms for PACICC in the event of a major natural catastrophe. The IBC formed a Special Working Group specifically to assist PACICC in the consultation exercise around our "resolution toolkit." Finally, we were pleased to be asked to engage directly with a special Committee of the IBC Board focused on the broader challenges of Tail Risk. Although our organizations have distinct and different mandates, it is essential that we act in alignment wherever possible. I can confidently say that this critical working relationship functioned particularly well in 2020.

The global pandemic has fundamentally shifted the way in which we interact with stakeholders. Limits on travel and practical obstacles to the normal face-to-face meetings, meant that we had to move to engage our industry stakeholders on a virtual basis. In the Summer, I conducted a "Top-20 CEOs" virtual tour, and was thrilled with the ready response from the most senior leaders in our industry. In the Fall, we moderated a three-hour virtual workshop, under the auspices of the Northwinds Institute, with 30+ C-Suite industry leaders on the specific topic of Resolution. This event was a critical component of our consultation exercise on this Strategic Priority, and the result was a positive contributor to our final successful outcome on this important file.

A critical component of the PACICC strategy for industry engagement in "times of peace" is to help the industry to continue to advance its risk management capabilities. Central to our approach are our regular series of Risk Officer's Fora and Emerging Risks Webinars. In 2020, these too became an entirely virtual affair. But in such uncertain times, the topical agendas we curated and the high-value speakers we secured, meant that our events generated the highest turn-outs and most positive post-event survey results we have ever seen. We will be exploring ways to further expand this particularly successful vehicle for engaging our industry in discussion on the most important risk topics of our time.

Regulator Relationships

We also worked to ensure that we continued effective engagement with our regulatory partners despite "lockdowns." In the Spring, we were very pleased to see the publication of a new Intervention Guide by the BCFSA, the new regulatory authority in the province of British Columbia. We also engaged in increasingly productive dialogue with the province of Alberta, and are optimistic that we will be able to formalize our working relationship with that province early in 2021. Our critical working relationships with OSFI and the AMF were also maintained effectively throughout this challenging year. We held joint meetings with both regulatory authorities and our PIRL Committee (for the first time, in the case of OSFI) and feel positive that despite the lack of face-to-face meeting time, the collaborative relationships so essential to our effective functioning in time of crisis are in good shape. Perhaps one indication of this, is the invitation I was honoured to receive to serve as a Member of OSFI's Culture External Advisory Committee (CEAC).

Media/Publications

Ensuring that PACICC's voice is heard across the industry and the broader financial services sector is an important part of our work. We published another four issues of our *Solvency Matters* newsletter in 2020, and continue to receive strong media coverage on the high-value content we provide through this medium. One article (on Systemic Tail Risk) from the Fall issue became a widely read "op-ed" piece in the *Globe & Mail's* Report on Business. We continue to expand our distribution of this publication and will experiment with social media distribution in 2021.

We also published another substantial research piece in our *Why Insurers Fail* series – on the failure of Reliance Insurance Group. This fascinating story, which provides important insights into how OSFI and PACICC might manage future failures involving a Canadian "Branch" is a must-read for industry players.

International Engagement

Our international engagement ensured that we are in tune with global regulatory trends and up-to-speed with evolving best practice in resolution. I had the honour to be elected to serve as Chair of the International Forum of Insurance Guarantee Schemes for 2020. In this role, I had the fascinating opportunity to moderate a day-long European Insurance and Occupational Pensions Authority (EIOPA) workshop on potential "Harmonization of Insurance Guarantee Schemes" in the EU and co-host (with PIDM of Malaysia) an international Webinar on the implications of COVID-19 for the insurance sector. We have also played a central role in the development of Framework Guidance and Core Principles for Insurance Guarantee Schemes, and as a result, have had the special opportunity to broaden our working relationship with the International Association of Insurance Supervisors (IAIS).

Conclusion

2020 was my second year in the role as President & CEO of PACICC and I have enjoyed every minute of it. I am really proud of the way our small team has executed on our very ambitious 2020 Plan, despite the curveballs of COVID-19. I am also deeply grateful for the continued active coaching and engagement from our Board Chair Glenn Gibson, and all of our Board Directors, as we work to ensure that Canada and our industry will be well served by PACICC when the time comes, once again, to act in pursuit of our Mission to protect policyholders, and to ensure that Canadian policyholders continue to trust our industry through thick and thin.

PACICC closely monitors the business environment of Canada's P&C insurance industry for two important reasons:

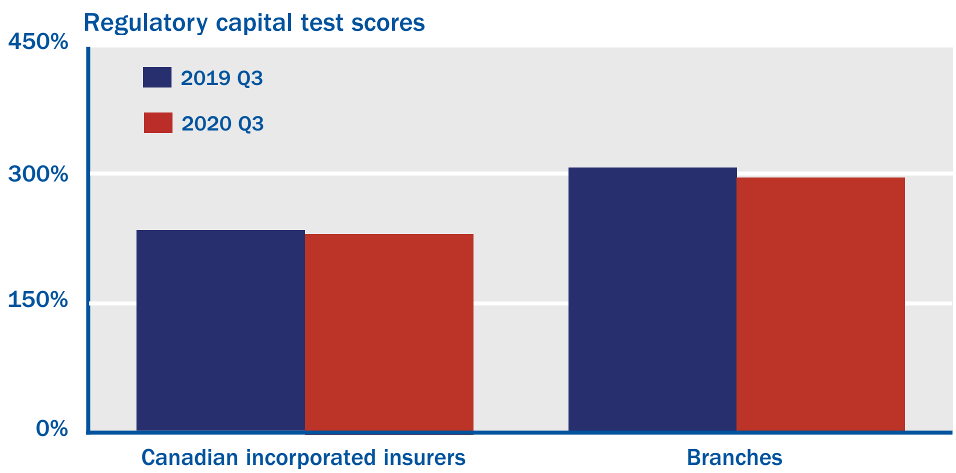
1) To determine the level of solvency risk facing PACICC Member Insurers, and

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

Surviving the short-term impact of 2020

It is clear that the COVID-19 crisis has had some negative impact on insurer earnings in 2020. However, at least so far, it has not yet impacted the solvency of insurers. PACICC's Member Insurers were well-capitalized going into this crisis, and still appear well-positioned to fulfil their commitments to policyholders as we hope to exit the pandemic crisis in 2021. Certainly, the combined impact of the first quarter oil shock, wild swings in investment markets throughout the year, COVID-19 claim payments and substantial rebates of premiums in Auto markets meant it was a particularly challenging year for the industry. Despite this, the industry's overall MCT score for the first nine months of 2020 was 234.2%. This means that insurers are holding $2.34 in assets for every dollar of liabilities on their balance sheets. This score is only marginally different than the 236.9% MCT posted at the end of 2019.

P&C Capital scores remain strong



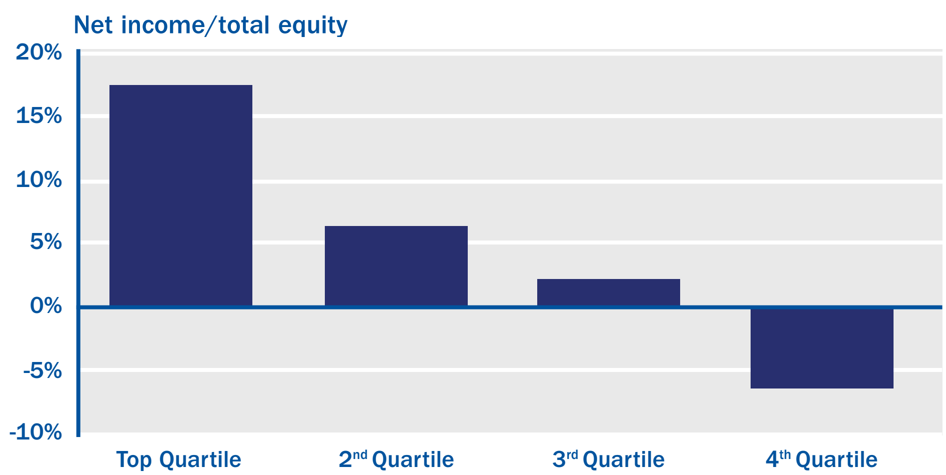
Source: PACICC based on data from MSA Research

Significant differences in financial health across Canada's insurance industry

There are 195 individual companies that compete in Canada's P&C industry. Some companies entered 2020 after a period of sustained profitability. Insurers that report sustained profitability can manage for the long term. Consistent profits allow these insurers to grow the capital base supporting their business and keep premiums stable for policyholders. In a competitive insurance market, companies often introduce new products or enter new markets. It is not uncommon for an insurer to have a bad year and recover because not every risk pays off.

75 of the 195 Canadian insurers that publicly disclose their financial results have reported profits every year since 2015. 56 of the 195 insurers that provide data to regulators reported having just one unprofitable year over the past five. Another 28 P&C insurers reported two unprofitable years over the past five. These groupings of insurers include mutual insurers that do not necessarily strive to maximize profits each year. Over the medium term, these companies have shown themselves to be generally stable and profitable. 2020 was a challenging year even for the strongest group of insurers. 19 of the 75 insurers that posted profits in each of the past five years reported losses through the first six months of 2020.

Return on Equity



Source: PACICC based on data from MSA Research

Companies that post consistent losses over the medium term tend to require either additional capital from investors or additional monitoring from Canada's solvency regulators. Four P&C insurers reported negative net income in four of the past five years. Another six Canadian P&C insurers have reported losses in each of the past five years, and three of these insurers are now in the process of exiting the Canadian P&C marketplace. Consistent profitability is certainly not easy to achieve, especially in a time of global pandemic. It remains a very strong indicator of the future prospects for an insurer and an important metric in monitoring insurer and industry health.

The key difference between profitable and unprofitable insurers is underwriting performance. The top-tier insurers posted an average loss ratio of 52.3 percent in the first nine months of 2020. The loss ratio of the second tier of profitable insurers was a much higher 58.5 percent. And it gets worse...the third tier of insurers reported an average loss ratio of 73.5 percent, and the least profitable insurers reported an unsustainable average loss ratio of 86.8 percent.

Insurers supplement their underwriting results by investing. So, in theory at least, it is possible for poor underwriting performance to be offset by particularly strong investment returns. While all insurers in the industry posted positive investment earnings, top-tier companies from an underwriting perspective also outperformed their peers on the investment side, posting a return on investment (ROI) of 2.8 percent. By comparison, the second tier of insurers posted a ROI of 2.1 percent, and the third tier of insurers posted a ROI of 1.7 percent. Most significantly, the least-profitable insurers posted a ROI of only 1.5 percent – almost 50% worse than their top-performing underwriting peers. Investment returns are not a panacea for poor underwriting.

However, in the medium- and longer-term, our industry is simply a proxy for the growth and prosperity of our nation. As Canada's economy suffers, so too will our industry. The COVID-19 pandemic impact on the Canadian economy will make it more difficult for insurers that experienced poor underwriting and financial results to recover. Economic growth is expected to be lower in the medium-term, making it very tough to make required adjustments to rates or adjust coverages to turn around underwriting results.

Assessing PACICC's preparedness

Thankfully, no Canadian P&C insurer failed in 2020. In fact, it is now approaching 20 years since an insurer was ordered to be wound up by a Canadian insurance regulator. A long period of calm is not uncommon in the insurance industry. But, in this "time of peace," PACICC has taken three important steps to enhance the Corporation'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 no outstanding or unresolved claims. This is the first time in PACICC's history that its assessment capacity is completely unencumbered. PACICC estimates that in 2021, the total annual assessment capacity available to protect policyholders is $1,017.3 million.

Adjusted benefit levels and coverage in 2019

In 2019, as part of its review of Coverage and Benefit levels, 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 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 would indicate that 99.1 percent of open Personal Property claims would fall below PACICC's new $500,000 policy limit.

PACICC's new Resolution Protocol

PACICC's research program has confirmed that liquidation of a very large Member Insurer could have unintended adverse consequences on Member Insurers and could potentially leave PACICC unable to fulfill its mission to protect consumers. To address this issue, PACICC's Board of Directors approved a Resolution Protocol in 2020 to guide PACICC at the moment of crisis, when an Insurer Member is on the verge of default and there are avenues to explore which might potentially avert a Court-ordered liquidation.

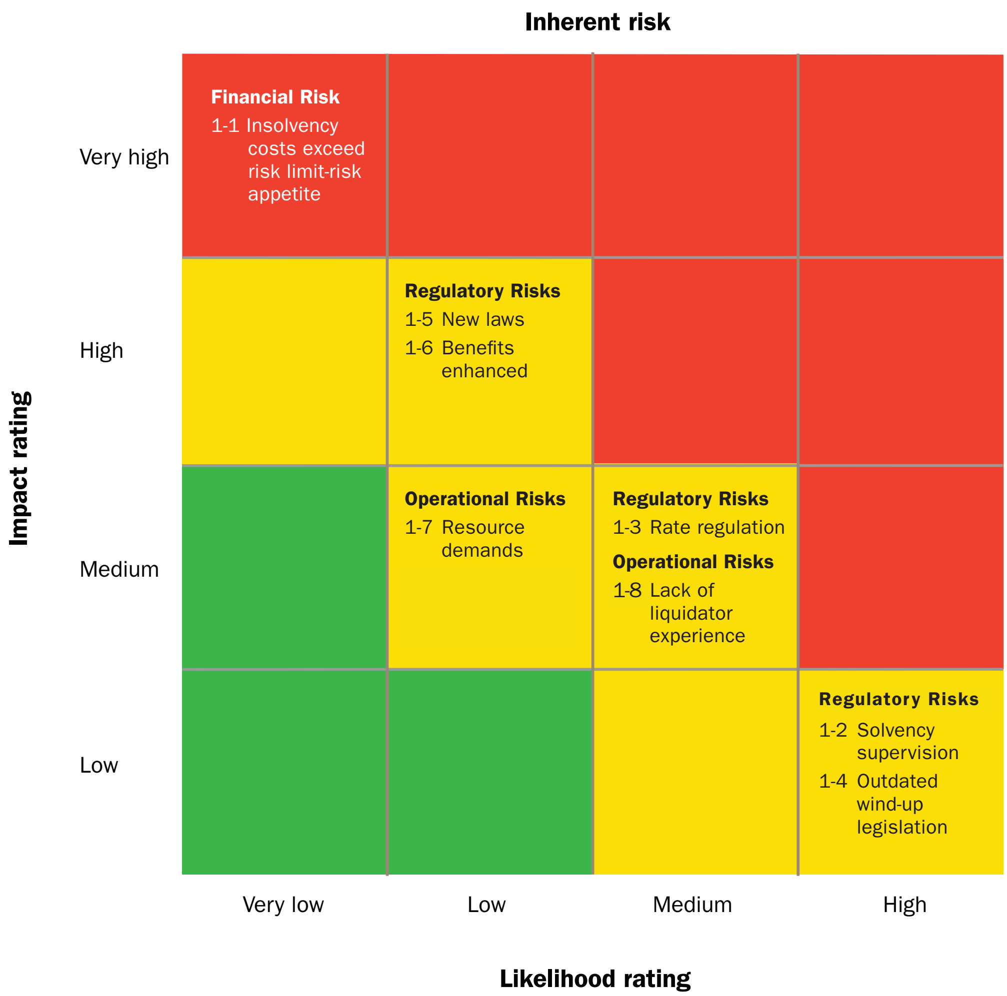
Looking ahead

Overall, the Canadian P&C industry is well capitalized and has demonstrated reassuring resilience in such a challenging period. Generally speaking, 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 more than adequately prepared to face a challenging future.

Enterprise Risk Management

PACICC's risk profile (significant risks) remains stable, with no changes in risk ratings being recommended since the April 2020 Report. Section 1 (Major Risks) has been updated. The risk formerly designated 1-8 (Unexpected insolvency costs due to a lack of Member financial data) has been transferred to Section 2 (now 2-1). This risk was significantly mitigated by PACICC's By-Law revision, making obligatory the provision of Member financial data. Section 2 (Risks to be Monitored) now has 18 risks due to the transfer noted above. Section 3 (Emerging Risks) was also updated to include Risks 3-10 (Insurance risks related to cannabis legalization) and Risk 3-11 (COVID-19 pandemic). ESG (Environmental/Social/Governance) ratings have been applied to PACICC's Compensation Fund investments (Risk 3-9). 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 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 which 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 $2.0 billion in 2021). 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 is partnering with the Insurance Bureau of Canada (IBC) to address this risk, specifically advocating for a "backstop" facility provided by the Federal Government following a catastrophic earthquake. PACICC's Audit & Risk Committee has discussed legal actions taken against insurers as a result of COVID-19 (business interruption). There are no solvency concerns at this time, but there is continuing exposure that may go before the Courts in future. There are concerns about developments in the U.S. and U.K. that could have implications for insurers in Canada. PACICC is also examining cyber risk, which is an area of concern for prudential supervisors (e.g. exposure to third-party providers such as cloud vendors).

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 plays an important role in raising industry awareness about Enterprise Risk Management best practices through the ongoing work of its Risk Officer’s Forum. Forum operations are overseen by an Advisory Committee that provides PACICC’s Board with technical expertise and advice regarding current and emerging risk management issues. The Advisory Committee comprises senior risk officers from across the industry and is supported by a PACICC Administrator.

Risk Officer’s Forum Mandate:

The 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
- Providing resources, references and information to facilitate research of risk management and related governance topics.

2020 Event Dates and Discussion Topics

Forum Meetings:

• April 1	OSFI Update on Current Industry Issues; and The New Science of Earthquakes in Canada
• September 17	FSRA: Reflecting Back on a Busy First Year; Contract Language and Lessons Learned from the 9/11 Litigation; and Third-Party Funding of Litigation in Canada
• November 6	Expanding PACICC’s Resolution “Toolkit"; Consultation Survey of Members; Risk of Talent Shortages in the P&C Insurance Industry; and Review of Agenda Items from OSFI’s Annual Risk Management Seminar

Emerging Risks Webinars:

• February 24	A Conversation with Insurers Regarding Risk Identification and Risk Assessment
• May 20	Collision Avoidance Systems and Automated Driving
• October 21	CCIR: Current Issues and Industry Priorities

2021 Event Dates and Discussion Topics

Forum Meetings:

• April 1	OSFI Update on Current Industry Issues; Allocating Capital for Earthquake Risk; and The Risk of Long-Term Low Interest Rates
• September 15	Flood Resiliency Efforts in Canada; Reinsurance Update (Exclusions and Capacity); and Results of 2021 PACICC Benchmark Survey on ERM
• November*	CEO Perspective on Climate Change; COVID-19 Update; and Risks of Space Weather Phenomena (*date to be announced)

Emerging Risks Webinars:

• February 24	A Conversation with Insurers Regarding Risk Identification and Risk Assessment
• May 19	ESG Scores – Implications for Investments and Underwriting
• October 20	Threats to Our Grid Systems (Internet, Electrical)

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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, 2020
- 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, 2020, 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 4, 2021
Toronto, Canada

Statement of Financial Position

December 31, 2020, with comparative information for 2019
In thousands of dollars

	2020	2019
Assets		
Cash (note 7)	$1,944	$1,663
Short-term investments (note 7)	6,345	6,274
Bonds (note 7)	50,869	49,807
Accrued interest	191	170
Assessment receivable	–	4
Prepaid assets and other receivables	58	64
Property - right-of-use asset (note 10)	126	190
Total assets	**$59,533**	**$58,172**

Liabilities and Equity

	2020	2019
Liabilities:		
Trade and other payables (note 8)	$225	$155
Deferred assessment revenues	–	4
Unclaimed liquidation refunds (note 6)	41	106
Finance lease liability (note 11)	132	194
Total liabilities	398	459
Equity:		
Operations surplus	1,654	1,365
Liquidation surplus	61	59
Compensation Fund	57,420	56,289
Total equity	59,135	57,713
Total liabilities and equity	**$59,533**	**$58,172**

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, 2020, with comparative information for 2019
In thousands of dollars

	2020	2019
Revenue from operations:		
Members assessments	$1,917	$1,520
Investment income	18	42
Institute for Catastrophic Loss Reduction cost recovery	112	100
	2,047	1,662
Expenses:		
Salaries and benefits	966	916
Research and professional fees	118	161
Premises	114	104
Investment management	76	70
Board of Directors	105	97
Legal fees	61	35
Corporate secretary and accounting services	51	51
Travel	14	74
Telephone and postage	22	28
Furniture and equipment maintenance	65	61
Printing and office supplies	29	39
Interest expense financial lease liability (note 11)	7	9
Amortization of right-of-use asset (note 10)	64	63
Insurance	16	3
Bank	9	5
Miscellaneous	41	57
	1,758	1,773
Comprehensive income (loss) – Operations	289	(111)
Liquidations:		
Investment income	2	69
Other expense (claims paid/distribution expenses)	–	(21,108)
Comprehensive income (loss) – Liquidations	2	(21,039)
Compensation Fund:		
Net Investment income	1,131	1,215
Comprehensive income (loss) – Compensation Fund	1,131	1,215
Net income (loss) and comprehensive income (loss)	**$1,422**	**$(19,935)**

All income is attributable to members

See accompanying notes to financial statements

Statement of Changes in Equity

Year ended December 31, 2020, with comparative information for 2019
(In thousands of dollars)

	Operations surplus	Liquidation surplus	Compensation Fund	Total
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
Comprehensive income (loss)	289	2	1,131	1,422
Balance, December 31, 2020	**$1,654**	**$61**	**$57,420**	**$59,135**

See accompanying notes to financial statements.

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019
(In thousands of dollars)

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses:		
Operations	$289	$(111)
Liquidations	2	(21,039)
Compensation Fund	1,131	1,215
Amortization of bond premium/discount/impairment	69	(11)
Change in accrued interest	(21)	36
Change in prepaid assets other receivables	6	(10)
Change in trade and other payables and provisions	2	(204)
Cash used in provided by operating activities	1,478	(20,124)
Investing activities:		
Maturity of investments	6,110	19,093
Purchase of investments	(7,307)	(20,654)
Cash (used in) provided by investing actvities	(1,197)	(1,561)
Increase (decrease) in cash	281	(21,685)
Cash, beginning of year	1,663	23,348
Cash, end of year	**$1,944**	**$1,663**

See accompanying notes to financial statements.

TThe 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, 2020 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, 2020 have been approved for issue by the Board of Directors on March 4, 2021.

(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.

(Tabular amounts in thousands of dollars)
Year ended December 31, 2020

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 14(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) 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.

PACICC introduced a risk-based Administrative Assessment Framework on January 1, 2020 that resulted 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).

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. Changes in accounting and reporting policies

IAS 37 Provisions, Contingent Liabilities and Contingent Assets

In May 2020, the IASB issued an amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendment clarifies that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling the contract. The provisions of this amendment will apply on a modified retrospective basis to financial statements beginning on or after January 1, 2022.

The Branch is currently assessing the impact the adoption of this amendment will have on its financial statements.

Annual Improvements to IFRSs 2018-2020 Cycle

In May 2020, the IASB issued Annual Improvements 2018-2020 Cycle as part of its ongoing process to efficiently deal with non-urgent narrow scope amendments to IFRS. Two amendments were included in this issue that are applicable for the Corporation relating to IFRS 9, Financial Instruments and IFRS 16, Leases. The amendments are effective January 1, 2022. The Corporation is currently assessing the impact the adoption of these amendments will have on its financial statements.

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.

(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 active member insolvency in the process of liquidation. In 2020, 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.

(Tabular amounts in thousands of dollars)
Year ended December 31, 2020

5. Operating, Compensation and Liquidation Fund information:

(a) Statement of financial position as at December 31, 2020:

Assets	Operations	Compensation	Liquidation	Total
Cash	$1,757	$16	$171	$1,944
Investments	–	57,214	–	57,214
Accrued interest	1	190	–	191
Assessment receivable	–	–	–	–
Other receivavles	58	–	–	58
Property - right of use asset	126	–	–	126
Total assets	**$1,942**	**$57,420**	**$171**	**$59,533**
Liabilities and Equity				
Liabilities:				
Trade and other payables	$156	$ –	$69	$255
Provisions	–	–	41	41
Deferred revenue	–	–	–	–
Financial lease	132	–	–	132
Total liabilities	288	–	110	398
Equity:				
Operations surplus	1,654	–	–	1,654
Compensation surplus	–	57,420	–	57,420
Liquidation surplus	–	–	61	61
Total equity	1,654	57,420	61	59,135
Total liabilities and equity	**$1,942**	**$57,420**	**$171**	**$59,533**

6. Unclaimed liquidation refunds to member companies:

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. Despite a residual unclaimed amount of $102,724 at the end of 2019, PACICC has continued to be actively engaged in the process of determining ultimate ownership and locating members to disburse the residual surplus liquidation funds. Total distributions to members amounted to $65,505 in 2020.

In the event that these liquidation dividends remain unclaimed by April 1, 2021, they will be transferred to the PACICC Compensation Fund.

	2020	2019
Balance, January 1	$103	–
Funds available for distribution	–	189
Distribution made during the year	(65)	(86)
Residual funds unclaimed and available for distribution	38	103
Liquidation expenses payable	3	3
Balance, December 31	**$41**	**$106**

7. Financial instruments:

(a) Carrying values and fiar values:

	2020		2019	
	Carrying value	Fair value	Carrying value	Fair value
Cash	$1,944	$1,944	$1,663	$1,663
Short-term investments	6,345	6,345	6,274	6,274
Bonds	50,869	52,794	49,807	50,280
	$59,158	**$61,083**	**$57,744**	**$58,217**

Cash and bonds are recorded at amortized cost. Short-term investments are recorded at FVPL. The 12-month expected credit loss recognized is $177,364 (2019 - $159,363).

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 14(a).

(a) Short-term investments:
These investments have an aggregate carrying value of approximately $6,345,000 (2019 - $6,274,000). 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, 2020		December 31, 2019	
	Within 1 year	1 to 5 years	Over 5 years	Total carrying amount	Effective rates	Total carrying amount	Effective rates
Government	$4,842	$30,295	$ –	$35,137	0.30% - 4.48%	$34,394	0.45% - 4.46%
Corporate	3,290	12,442	–	15,732	0.13% - 4.12%	15,413	0.69% - 4.75%
	$8,132	**$42,737**	**$ –**	**$50,869**	**0.13% - 4.48%**	**$49,807**	**0.45% - 4.75%**

8. Due to the Insurance Bureau of Canada

During 2020, certain operating costs were initially incurred by the Insurance Bureau of Canada (“IBC”) on behalf of PACICC and these costs have been charged to PACICC at cost. This includes Finance and Legal servicing fees of $50,850 (2019 - $50,850) reflected in Corporate secretary and accounting services expenses. Starting in April 2020, with the pandemic situation, operating expenses in the amount of $424,099 were initially paid by IBC via electronic funds transfer and later reimbursed by PACICC. At December 31, 2020 PACICC had a payable balance with IBC in respect of these costs of $65,331 (2019 - $0).

9. Assessment capacity:

PACICC has the ability to make a maximum potential annual general assessment of members of 1.5% (2019 – 1.5%) of covered premiums written, which amounts to approximately $1.02 billion in 2020 (2019 - $934.6 million).

10. Property - right-of-use asset:

Cost	
January 1, 2020 - recongnition of right-of-use asset	$ 253
Additions	–
Disposals	–
December 31, 2020	$253
Accumulated amortization	
January 1, 2020 - accumulated amortization	$(63)
Amorization	(64)
Disposals	–
December 31, 2020	$(127)
Net book value	
December 31, 2019	**$190**
December 31, 2020	**$126**

(Tabular amounts in thousands of dollars)
Year ended December 31, 2020

11. Leases

Amounts recognized in statement of comprehensive income:

Amortization of property - right-of-use asset	$64
Interest on financial liability	7

The weighted average incremental borrowing rate applied to lease liabilities is 3 35% The following table presents the contractual maturities of the Corporation's undiscounted lease liabilities at December 31, 2020:

	Financial lease liability
One year or less	$69
One to five years	69
Total undiscounted lease liabilities	138
Discounted adjustment	(6)
Lease liabilities	**$132**

12. 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.

13. Fair value disclosure:

(a) The carrying values of financial assets and liabilities, other than bonds, approximate their fair values due to the short-term nature of these financial instruments.

(b) The Corporation uses a fair value hierarchy to categorize the inputs used in valuation techniques to measure fair value. The extent of the Corporation's use of quoted market prices (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3) in the valuation of bond and equity investments, as well as derivatives, were as follows:

	Total
Level 1	$ –
Level 2	59,139
Level 3	–
	$59,139

14. 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.

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

	2020		2019	
Credit rating	Carrying value	Percentage of portfolio	Carrying value	Percentage of portfolio
AAA	$26,019	51.1%	$27,188	54.6%
AA	13,012	25.6%	9,802	19.7%
A	8,542	16.8%	9,998	20.1%
BAA	456	0.9%	655	1.3%
BBB	2,840	5.6%	2,164	4.3%
Total	**$50,869**	**100%**	**$49,807**	**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, 2020, 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 $1,240,665 (2019 - $1,347,154).

(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 has the ability to make a maximum potential annual general assessment of members of 1.5% (2019 – 1.5%) of covered premiums written, which amounts to approximately $1.02 billion in 2020 (2019 - $934.6 million)

15. Remuneration:

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

	2020	2019
Directors' fees	$105	$91
Salaries	793	735
Other benefits	96	73
	$994	**$899**

16. Potential implications of COVID-19:

In first quarter of 2020, the viral outbreak of COVID-19 rapidly developed into a global pandemic. In response, worldwide emergency measures were taken, and continue to be taken, to combat the spread of the virus, including the imposition of travel restrictions, business closure orders, and physical distancing requirements. Governments have also implemented unprecedented monetary and fiscal policy changes aimed to help stabilize economies and financial markets. At this time, we are unable to predict future legal and regulatory responses to concerns about the COVID-19 pandemic and related public health issues and how these responses may impact our business.

2020/21 Board

Glenn Gibson
Chair
President and CEO
The GTG Group

Alister Campbell
President and CEO
PACICC

Andrew Cartmell
President and CEO
Saskatchewan Government Insurance

Brian Esau
President and CEO
Red River Mutual Insurance Company

Christian Fournier
Executive Vice-President and Leader, Property and Casualty Insurance
Beneva

David MacNaughton
President
Palantir Canada

Heather Masterson
President and CEO
Travelers Canada

Dave Oakden
Consultant

Lynn Oldfield
President and CEO
AIG Insurance Company of Canada

Jason Storah
CEO
Aviva Canada Inc.

Bruce Thompson
Consultant

Mark Tullis
Vice Chair
Intact Financial Corporation

Board Committees

Audit and Risk

Bruce Thompson (Chair)
Brian Esau
Glenn Gibson
Heather Masterson
Dave Oakden

Governance and Human Resources

Glenn Gibson (Chair)
Andrew Cartmell
Christian Fournier
Lynn Oldfield
Jason Storah
Mark Tullis

Pre-Insolvency Regulatory Liaison

Glenn Gibson (Chair)
Alister Campbell
David MacNaughton
Dave Oakden
Bruce Thompson

***Retired from the PACICC Board in 2020**

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

Pete Walker (*Chief Technical Underwriter*, Aviva Canada Inc.)

Staff 2020-2021

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

Randy Bundus
Corporate Secretary

*Jim Harries (*Special Advisor, Governance and Risk*) retired from PACICC in 2020

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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
Box 12116
Vancouver, British Columbia V6B 4N6
Tel: (604) 653-7495
www.bcfsa.ca

Alberta
Sherri Wilson
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.alberta.ca/insurance.aspx

Saskatchewan
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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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Superintendent for Insurance
Financial Institutions
Regulation Branch
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Tel: (204) 945-2542
www.mbfinancialinstitutions.ca

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Chief Executive Officer
Financial Services Regulatory Authority of Ontario
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www.fsrao.ca

Québec
Patrick Déry
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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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
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www.novascotia.ca

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www.princeedwardisland.ca

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Financial and Consumer Services Commission
225 King Street, Suite 200
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Tel: (886) 993-2222
www.fcnb.ca

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Superintendent of Insurance
Financial Services Regulation Division Service NL
Government of Newfoundland and Labrador
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St. John's, Newfoundland A1B 4J6
Tel: (709) 729-4909
www.gov.nl.ca/dgsnl/department/branches/divisions/fsr/

Northwest Territories
Chervahun Emilien
Assistant Comptroller General
Accounting Services Management
Government of Northwest Territories
3rd Floor, YK Centre Bldg.
4822-48th Street. P.O. Box 1320, YK-3
Yellowknife, NT X1A 2L9
Tel: (867) 767-9171
www.fin.gov.nt.ca

Yukon
Bradley Rowett
Deputy 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
Superintendent of Insurance
Department of Finance
Government of Nunavut
P.O. Box 2260
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
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 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
Continental Casualty Company	Compagnie d'assurance Continental Casualty (La)
Co-operators General Insurance Company	Compagnie d'Assurance Générale Co-operators (La)
CorePointe Insurance Company	Compagnie d'Assurance CorePointe (La)
Coseco Insurance Company	Compagnie d'Assurance Coseco
CUMIS General Insurance Company	Compagnie d'Assurance Générale CUMIS (La)
Desjardins General Insurance Inc.	Desjardins Assurances Générales Inc.
Dominion of Canada General Insurance Company (The)	Compagnie d'assurance générale Dominion du Canada
Ecclesiastical Insurance Office PLC	Société des Assurances Ecclésiastiques
Echelon Insurance	Échelon Assurance
Economical Mutual Insurance Company	Economical, Compagnie Mutuelle d'Assurance
Electric Insurance Company	Compagnie d'assurance Electric
Elite Insurance Company	Compagnie d'Assurances Élite (La)
Employers Insurance Company of Wausau	Compagnie d'Assurances des Employeurs de Wausau
Esurance Insurance Company of Canada	Esurance du Canada, Compagnie d'Assurance
Everest Insurance Company of Canada	Compagnie d'Assurance Everest du Canada (La)
Factory Mutual Insurance Company	Factory Mutual Insurance Company
FCT Insurance Company Ltd.	Compagnie D'Assurances FCT Ltée
Federal Insurance Company	Compagnie d'assurances Fédérale
Federated Insurance Company of Canada	Federated, compagnie d'assurances du Canada (La)
Fenchurch General Insurance Company	Fenchurch Compagnie d'Assurance Générale
First North American Insurance Company	Nord-Américaine, Première Compagnie d'Assurance (La)
Fortress Insurance Company	Fortress Insurance Company
General Reinsurance Corporation	General Reinsurance Corporation
Germania Mutual Insurance Company	Germania Mutual Insurance Company
GMS Insurance Inc.	GMS Insurance Inc.
Gore Mutual Insurance Company	Gore Mutual Insurance Company
Great American Insurance Company	Compagnie d'Assurance Great American
Groupe Estrie-Richelieu, Compagnie d'assurance (Le)	Groupe Estrie-Richelieu, Compagnie d'assurance (Le)
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)
Hudson Insurance Company	Hudson Insurance Company
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
Insurance Company of Prince Edward Island	Insurance Company of Prince Edward Island
Insurance Corporation of British Columbia	Insurance Corporation of British Columbia
Intact Insurance Company	Intact Compagnie d'assurance
Jevco Insurance Company	Compagnie d'Assurances Jevco (La)
Jewelers Mutual Insurance Company, SI	Jewelers, Compagnie d'Assurance Mutuelle par actions
King's Mutual Insurance Company	King's Mutual Insurance Company (The)
Liberty Mutual Insurance Company	Compagnie d'Assurance Liberté Mutuelle (La)
Lloyd's Underwriters	Les Souscripteurs du Lloyd's
MAX Insurance	MAX Insurance
Mennonite Mutual Insurance Company (Alberta) Ltd.	Mennonite Mutual Insurance Company (Alberta) Ltd.
Millennium Insurance Corporation	Millennium Insurance Corporation
Missisquoi Insurance Company (The)	Compagnie d'Assurance Missisquoi (La)
Mitsui Sumitomo Insurance Company Ltd.	Compagnie d'Assurance Mitsui Sumitomo Limitée
Motors Insurance Corporation	Compagnie d'Assurance Motors (La)
Munich Reinsurance America Inc.	Réassurance Munich Amérique, Inc.
Mutual Fire Insurance Company of British Columbia (The)	Mutual Fire Insurance Company of British Columbia (The)
Mutuelle d'Église	Mutuelle d'Église
My Mutual Insurance Limited	My Mutual Insurance Limited
National Bank Life Insurance Company	Assurance-vie Banque Nationale, Compagnie d'assurance-vie
National Liability & Fire Insurance Company	National Liability & Fire Insurance Company
New Home Warranty Insurance (Canada) Corporation (The)	New Home Warranty Insurance (Canada) Corporation (The)
Nordic Insurance Company of Canada (The)	Nordique, Compagnie d'assurance du Canada (La)
Northbridge General Insurance Corporation	Société d'assurance générale Northbridge
Novex Insurance Company	Novex Compagnie d'assurance
Old Republic Insurance Company of Canada	Ancienne République, Compagnie d'Assurance du Canada (L')

Omega General Insurance Company	Omega Compagnie d’Assurance générale
Optimum Farm Insurance Inc.	Optimum Assurance Agricole Inc.
Optimum Insurance Company Inc.	Optimum Société d’Assurance Inc.
Optimum West Insurance Company	Optimum West Insurance Company
Orion Travel Insurance Company	Compagnie d’Assurance Voyage Orion
PAFCO Insurance Company	PAFCO compagnie d’assurance
Peace Hills General Insurance Company	Peace Hills General Insurance Company
Pembridge Insurance Company	Pembridge, compagnie d’assurance
Personal General Insurance Inc.	Personnelle, assurances générales Inc. (La)
Personal Insurance Company (The)	Personnelle, Compagnie d’Assurances (La)
Perth Insurance Company	Perth, Compagnie d’Assurance
Petline Insurance Company	Compagnie d’assurance Petline
Pilot Insurance Company	Pilot Insurance Company
Portage La Prairie Mutual Insurance Company	Portage La Prairie Mutual Insurance Company (The)
Primmum Insurance Company	Primmum compagnie d’assurance
Prince Edward Island Mutual Insurance Company	Prince Edward Island Mutual Insurance Company
Pro-Demnity Insurance Company	Pro-Demnity Insurance Company
Promutuel Réassurance	Promutuel Réassurance
Protective Insurance Company	Protectrice, société d’assurance (La)
Prysm General Insurance Inc.	Prysm assurances générales inc.
Quebec Assurance Company	Compagnie d’Assurance du Québec
RBC Insurance Company of Canada	Compagnie d’assurance RBC du Canada
Red River Mutual Insurance Company	Red River Mutual Insurance Company
Royal & SunAlliance Insurance Company of Canada	Royal & SunAlliance du Canada, société d’assurances
S & Y Insurance Company	S & Y Compagnie d’Assurance
Safety National Casualty Corporation	Safety National Casualty Corporation
Saskatchewan Mutual Insurance Company	Saskatchewan Mutual Insurance Company
SCOR UK Company Limited (Canadian Branch)	SCOR UK Company Limited (succursale canadianne)
Scotia General Insurance Company	Scotia Générale, compagnie d’assurance
Scottish & York Insurance Company Ltd.	Compagnie d’assurance Scottish & York Limitée
Security National Insurance Company	Sécurité Nationale Compagnie d’Assurance
Sentry Insurance, A Mutual Company	Société mutuelle d’assurance Sentry (La)
SGI Canada	SGI Canada
SGI Canada Insurance Services Ltd.	SGI Canada Insurance Services Ltd.
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, 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)
Tokio Marine & Nichido Fire Insurance Company Ltd.	Tokio Maritime & Nichido Incendie Compagnie d'Assurances Ltée
Traders General Insurance Company	Compagnie d'Assurance Traders Générale
Trafalgar Insurance Company of Canada	Compagnie d'assurance Trafalgar du Canada
Trans Global Insurance Company	Compagnie d'assurances Trans Globale
Travelers Insurance Company of Canada	Compagnie d'Assurance Travelers du Canada (La)
Trisura Guarantee Insurance Company	Compagnie d'assurance Trisura Garantie
Triton Insurance Company	Compagnie d'assurance Triton
TTC Insurance Company Limited	TTC Insurance Company Limited
Unica Insurance Inc.	Unica assurances inc.
Unifund Assurance Company	Unifund, Compagnie d'Assurance
Unique General Insurance Inc. (L')	Unique Assurances Générales Inc. (L')
United General Insurance Corporation	United General Insurance Corporation
United States Liability Insurance Company	United States Liability Insurance Company
Verassure Insurance Company	Compagnie d'assurance Verassure
Virginia Surety Company Inc.	Virginia Surety Company Inc.
Waterloo Insurance Company	Waterloo, Compagnie d'Assurance
Wawanesa Mutual Insurance Company (The)	Compagnie Mutuelle d'Assurance Wawanesa (La)
Western Assurance Company	Western Assurance Company
Westland Insurance Company Limited	Westland Insurance Company Limited
Westport Insurance Corporation	Société d'assurance Westport
Wynward Insurance Group	Wynward Insurance Group
XL Specialty Insurance Company	Compagnie d'assurance XL Spécialité
Zenith Insurance Company	Compagnie d'Assurance Zénith
Zurich Insurance Company	Zurich Compagnie d'Assurances SA