PACICC

Property and Casualty Insurance
Compensation Corporation

2022
Annual Report









Insolvency protection for home, automobile and business insurance customers

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

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Key accomplishments in 2022

- We held our first-ever Strategic Planning Conference in June to confirm PACICC's Priority Issues for the period 2023-2025. Based on guidance from the Board and given the broad range of issues facing the Corporation, it was agreed that we will depart from our tradition of focusing on only one "Priority Issue" each year. The complexity of the public policy issues foremost on our agenda (all with varying timeframes, depth, complexity and inter-connectedness) means that they can no longer be neatly resolved in a single calendar year. Issues identified by the Board included: a review of coverage and benefits limits; enhanced access to industry information; establishment of a Bridge Insurer; increased financial capacity (standby line of credit facility); corporate governance refinements; and initiatives to mitigate systemic risk. It was agreed that our Priority Issues for 2023 will be: Coverage and Benefits Review; Expanding Financial Capacity, and Enhancing Resolution Capabilities. This is in addition to our Permanent Priority Issue – Mitigating Systemic Risk Caused by Quake
- PACICC's Board agreed upon the need to increase its financial capacity and established a new, higher target for the Corporation's short-term liquidity. This will be achieved through a new standby line of credit facility involving a syndicate of Canada's largest banks. The Board also agreed to seek to establish a "Bridge Insurer" (in consultation with OSFI) to enhance PACICC's pre-insolvency resolution capabilities. It is anticipated that the standby facility will be in place early in 2023. It is likely that work on the application to establish a new Bridge Insurer will continue into 2024, as decisions regarding capitalization and governance will require extensive industry consultation and dialogue with federal and provincial regulators

- We remain actively involved in ongoing dialogue with Finance Canada, CCIR, and other key regulatory stakeholders (including Bank of Canada, OSFI, CDIC, CMHC, FCAC), as well as key industry partners (IBC and ICLR) regarding the establishment of a Federal backstop mechanism to address systemic contagion risk
- We published the latest report in PACICC's Why Insurers Fail research series – "*Mapping the Road to Ruin: Lessons Learned from Four Recent Insurer Failures.*" The study examined distressed insurer situations in Denmark, New Zealand, China and the U.S. to determine whether the three "traditional" causes of failure (internal operations, organizational structure and adequacy of regulatory oversight) still apply today. Our study concluded that there is now a fourth cause of insurer failure that must be added to the list – increased scope of natural disasters attributable to climate change
- We completed a comprehensive "desktop" simulation exercise with OSFI, successfully concluding our 2021 Priority on Contingency Planning. A full report on lessons learned was presented to the Board at its November 2022 meeting. A similar desktop simulation planning exercise was also completed with AMF. These led to a number of operational issues being addressed, including: clarifying the interaction of federal and provincial winding-up legislation, fine-tuning our Memorandum of Operation to ensure that the Corporation can appropriately fund alternatives to liquidation as needed, and developing a comprehensively modernized Model Winding-Up Order with an additional version specifically designed to be consistent with civil law procedures in Quebec
- As a result of the work on contingency planning, PACICC's Board identified the need for an expanded number of non-Insurer Directors, to better manage enhanced engagement with industry regulators and to provide additional skill sets and attributes to assist in resolution scenario management. We welcomed two non-Insurer Directors and one additional Insurer Director in 2022. These changes were approved by regulators and endorsed by Members at the April 2022 AGM
- We hosted three Cyber Risk Webinars in partnership with the Global Risk Institute in Financial Services, involving Chief Information Officers and Chief Information Security Officers from leading firms in the P&C insurance industry. The Webinars seek to foster information sharing and the circulation of best practice information among all PACICC Member firms regarding means of countering the growing threat of cyber crime

- We hosted three virtual Risk Officer's Forum Meetings in 2022, as well as three Emerging Risk Webinars. Registrations for all events remained at record levels in 2022 – our third year since the onset of the COVID-19 pandemic
- We published four issues of our popular Solvency Matters newsletter in 2022 (with an extensive and increasing industry distribution list), and continue to receive extensive trade press coverage and favourable industry feedback
- Our digital footprint continues to be enhanced through the use of social media platforms (Twitter and LinkedIn) to engage Members and the public
- We continued to broaden our access to international best practices through a leadership role with the International Forum of Insurance Guarantee Schemes (IFIGS)

This past year was a formative year for PACICC with respect to policy priorities, and another year of positive returns for the industry, despite the challenges of a continuing global pandemic.

The industry's third-quarter 2022 financial results can be viewed as the beginning of an expected return to historically "normal" levels of profitability. In the third quarter, the industry reported a return on equity (ROE) of 13.3 percent. This is much lower than the 18.0 percent reported a year earlier, but still above the long-run average of 10.1 percent. Based on historical patterns, further "reversion to the mean" is still expected.

The industry's 2022 financial results are quite unusual in one key respect. The 52.8 percent loss ratio recorded in the first three quarters represents the industry's best start to an underwriting year in almost 50 years – since 1975. This figure topped the industry's previous best-ever result, which was reported just last year…in 2021. This is good news for organizations like PACICC that focus on industry solvency. PACICC's *Why Insurers Fail* research series has consistently found that poor pricing decisions and inadequate reserving for insurance risk are the primary causes of insurer failure worldwide. Sustained underwriting profits consistently generate more capital and reduce solvency risk.

> **"PACICC's *Why Insurers Fail* research series has consistently found that poor pricing decisions and inadequate reserving for insurance risk are the primary causes of insurer failure worldwide. Sustained underwriting profits consistently generate more capital and reduce solvency risk."**

But, the industry's investment results over the past year tell quite a very different story. PACICC's database of industry results extends back to 1975. Over this 47-year period, P&C insurers have never reported annual investment losses – not once. It appears, however, that this could change for 2022. Over the first nine months of 2022, Canada's P&C insurers reported return on investment of -1.2 percent. This decline in investment income is a direct result of a dramatic (and largely unanticipated) rise in interest rates. As interest rates rise, the value of the industry's bond portfolio falls. Canada's P&C insurers hold most of their invested assets (approximately 75 percent) in bonds. So, to a large extent, strong underwriting profits have been offset by significant losses on the investment side of the balance sheet.

Of course, the impact of these industry trends varies across PACICC's membership. Canada's P&C insurance marketplace remains highly competitive. Over the first nine months of 2021, 11.3 percent of insurers reported negative net income, despite it being the industry's most profitable year on record. Over the first nine months of last year, that figure was 27.8 percent. The latter figure is more in line with the industry's long-run average, and is not a significant source of concern – yet. The challenge for those insurers reporting negative net income now, is how quickly they can return to profitability. Consistent profitability is a very important solvency metric for PACICC. Not all insurers have demonstrated the ability to achieve this. PACICC is actively monitoring a small number that consistently report negative net income.

"Our Board authorized the establishment of a revolving line of credit facility which, when combined with PACICC's Compensation Fund, will provide the Corporation with the financial means necessary to respond effectively to the possible failure of an average-sized Member Insurer."

My Board colleagues and I participated in a Strategic Planning Conference in June (the first in the history of the Corporation) to confirm PACICC's Priority Issues for the period 2023-2025 and beyond. The one-day Conference was a very productive session and produced several important decisions that will have lasting implications for both PACICC and the industry.

After many years of analysis and consultation with industry stakeholders and regulatory partners at OSFI and the Canadian Council of Insurance Regulators (CCIR), our Board saw the need for an elevated target for our short-term liquidity. Our Board authorized the establishment of a revolving line of credit facility which, when combined with PACICC's Compensation Fund, will provide the Corporation with the financial means necessary to respond effectively to the possible failure of an average-sized Member Insurer. Reinsurance options tabled at the Conference were found to be flawed with respect to availability and price. As well, it was concluded that resumption of annual "capital levies" would represent a suboptimal use of industry capital. PACICC staff is working with a syndicate (representing all six major Canadian banks) to establish this line of credit facility, and we anticipate having it in place in Q1 of 2023. This facility will provide PACICC with ready access to instant liquidity, and enhance our ability to respond more effectively in a range of insolvency and/or resolution scenarios.

Early last year, OSFI Superintendent Peter Routledge encouraged our Board to demonstrate that PACICC's mandate is a vital component in Canada's "Resolution Infrastructure." Consequently, we examined additional actions that the Corporation could take to enhance its resolution capabilities. Drawing upon established best practice in the global financial system, we confirmed that there was one missing element in PACICC's operational framework – a "bridge insurer" mechanism within PACICC similar to CDIC's "bridge bank" and, perhaps more importantly, the "bridge insurer" resolution entity (CompCorp Life) in place at Assuris – PACICC's peer organization responsible for the life insurance industry.

"Drawing upon established best practice in the global financial system, we confirmed that there was one missing element in PACICC's operational framework – a "bridge insurer" mechanism within PACICC similar to CDIC's "bridge bank" and, perhaps more importantly, the "bridge insurer" resolution entity (CompCorp Life) in place at Assuris – PACICC's peer organization responsible for the life insurance industry."

Following the June Strategic Planning Conference and at the instruction of our Board, PACICC staff approached OSFI to enquire about the establishment of a "bridge insurer" for PACICC. OSFI supported such an application, and provided an outline for a streamlined application process. That process has been initiated by PACICC staff and will be a major work project in the months ahead.

In 2020, PACICC committed to CCIR that it would review its coverage and benefits at least once every five years, with the first review to occur within three years. At our November Board meeting, we confirmed this initiative as a Priority Issue for PACICC for 2023 – while also re-affirming our focus on PACICC's Permanent Priority Issue (Systemic Risk Caused by Quake). On the latter issue, PACICC continued to work with Finance Canada in 2022 to address this largest single risk facing the Canadian P&C insurance industry. PACICC's update to its P&C Industry Model presents a compelling case for a Federal Government backstop mechanism as Canada's best option to address contagion from earthquake risk. We are committed to working with Finance Canada and our industry partners to address this glaring gap in the public infrastructure of our nation.

I want to thank the small Management team at PACICC for the high quality of their work. They continue to manage a challenging workload despite pandemic-altered work routines, and a year-end office move. I also want to thank my Board colleagues for their professionalism and dedication to PACICC's Mission. A heartfelt thank you to Andrew Cartmell and Brian Esau who retired from our Board, and to Lynn Oldfield who will be retiring from the Board in April after many years of dedicated service to PACICC. Their collective counsel on key industry issues has benefitted PACICC greatly, and made my role as Chair just that much more rewarding. I am confident that the Corporation has the skills and resources in place to ensure PACICC's continued success in the years ahead.

Introduction

The past year was another challenging one for Canada and for our industry. But, I am convinced that – as the global COVID-19 pandemic finally recedes and as the unanticipated inflationary surge becomes more contained – we can all see more positive prospects looking out into 2023. The Canadian P&C industry has once again demonstrated its resilience during this challenging period, generating strong underwriting results which helped to offset much of the adverse impacts of yield curve changes on investment portfolios. And the industry also once again demonstrated its capacity to respond effectively to Canadians suffering from the impacts of major natural catastrophe events such as Hurricane Fiona. Despite all of the challenges that our industry faced in 2022, I am pleased to confirm that no PACICC Member Insurer experienced financial distress in 2022, and no Canadian policyholders were forced to call upon PACICC for the protections that we stand ready to provide.

For PACICC, an incredibly busy and productive year in 2022 has now set the stage for new and major steps forward in our work to modernize our institution, and to ensure that we have the capacity to respond to the challenges that our re-shaped industry will face in the future. Working closely with our outstanding and deeply engaged Board of Directors, we have now set out a 2023 Plan that will see our small but highly effective team deliver significant results on an ambitious agenda. As always, our Board has dictated that we maintain focus on a short list of objectives. While the list is short, the impacts and consequences of our work will have the potential to significantly change and enhance our operating model.

Priority Issue – 2023 Coverage & Benefits Review

In 2020, PACICC committed to the Canadian Council of Insurance Regulators (CCIR) that it would review our coverage and benefits at least once every five years, with the next review occurring within three years. Consequently, at its November 3, 2022 meeting, the PACICC Board confirmed this initiative as the Corporation's Priority Issue for 2023. The coverage and benefits review will again be based on the three guiding principles employed previously – Fairness, Transparency/Clarity, and Modernization. The scope of the review will again include: extent of coverage, claim limits, return of unearned premiums, hardship claims and the threshold for commercial coverage eligibility. At the suggestion of some regulators, the review will also examine benefit limits at the provincial level (i.e. would it be appropriate to have higher limits in certain provinces to reflect higher construction costs?).

PACICC has initiated an industry-wide data call, to provide us with an informed basis for this important analysis. We anticipate being in a position to provide results of that analysis, as well as preliminary options for Board consideration, at our April Board meeting. This will be followed by a full industry consultation exercise in the Summer of 2023. Any potential changes would be formally reviewed and considered by our Board in November, subsequently by regulators and, should any changes be required, they would take effect after a vote of all Members at our AGM in April of 2024.

"The coverage and benefits review will again be based on the three guiding principles employed previously – Fairness, Transparency/Clarity, and Modernization."

Changes in PACICC's benefit levels have no direct cost to Member Insurers – unless there is an insolvency. All costs for the 2023 Review have been incorporated into our Board-approved budget.

Key Priority #1 – Expanding our Financial Capacity

After several years of analysis and involved dialogue with both the industry and our regulatory partners, the PACICC Board agreed upon a new, and higher, target for our short-term liquidity. The Board authorized the establishment of a Revolving Line of Credit facility for $250M which, when combined with the approximately $60M currently invested in our Compensation Fund, provides PACICC with the resiliency buffer we need to respond effectively to the prospective failure of an average-sized Member Insurer. The Board tasked us with securing such a facility, with participation from all six, major Canadian Banks and at a run-rate cost of no more than $1.25M per annum. PACICC staff has been working closely with a special working group comprising senior finance professionals from three major Member Insurers. We are now confident that we will be in a position to execute upon this major new initiative in the first Quarter of 2023. Costs for this new enhanced capacity will be added to the annual Administrative Assessment paid by all Member Insurers. All additional costs above the amount generated through the (unchanged) $10,000 Base Assessment (for additional run-rate costs of the Corporation, as well as the fees associated with this new facility) will be funded proportionately by our larger Members. This is equitable, as the increased liquidity need is triggered by PACICC's exposure to the failure of larger-than-average insurers.

This new liquidity capacity demonstrates to all stakeholders that PACICC and the P&C industry are responsibly ensuring against worst-case scenarios, and positions us well to respond effectively to the challenges of a substantially more consolidated industry than was the case when PACICC was first conceived. This new resiliency buffer has one additional benefit. It represents a small but important step by PACICC to mitigate the systemic contagion risk facing the Corporation and the P&C industry after a major earthquake in British Columbia or in the Quebec/Montreal/Ottawa corridor. The facility will allow PACICC to help to manage the initial consequences of such a major event, and avoid assessing the industry for required funds in a period of crisis
and when the industry's capital and reinsurance capacity is being tested to its utmost.

Key Priority #2 – Enhancing our Resolution Capabilities

Early in 2022, the new OSFI Superintendent challenged our Board to ensure that PACICC's unique position relative to OSFI is a net benefit to Canada's "Resolution Infrastructure." And so, over the course of 2022, we examined what additional actions the Corporation could take to enhance our resolution capabilities. Drawing upon defined best practice from the Financial Stability Board (FSB) and from the International Association of Insurance Supervisors (IAIS), we confirmed that there was in fact only one significant gap in our current operating model – the absence of a "bridge insurer" mechanism within PACICC (similar to the "bridge bank" capabilities of CDIC and, more significantly, the "bridge insurer" CompCorp Life resolution entity already in place for Assuris – PACICC's peer organization for life insurance).

At the instruction of our Board, following the June Strategic Planning Conference, PACICC staff approached OSFI regarding its willingness to consider an application for the establishment of an OSFI-chartered and supervised "bridge insurer" for PACICC. OSFI has given initial indication of their openness to such an application, and in fact provided us with the outline for a streamlined application process. That process has now been initiated and will represent a major work initiative for PACICC staff in the months ahead. While a timeline for this work effort is still in development, we are hoping to have a completed application in OSFI's hands before the end of 2023.

There will be a number of key issues – particularly regarding governance and capitalization – which will need to be addressed as this application process proceeds, and certainly before such a new insurer receives charter and licences. As the dialogue with OSFI expands and we gain more certainty as to the supervisory expectations for this new entity, we will be keeping all Members up-to-date. It is our intention to engage in broader consultation around key issues in the application process with all of our Members, prior to submission of our final application.

Our industry structure has changed over recent decades with a significant trend toward consolidation, and with a growing number of Member Insurers whose financial distress could trigger a PACICC Assessment which, in and of itself, would cause financial distress for other Member Insurers. These are the scenarios where "resolution" alternatives to liquidation become imperative. The PACICC Board's adoption of a *Resolution Protocol* in 2021, Member-approved changes to our Memorandum of Operation (enabling PACICC to utilize its Compensation Fund and other resources to fund resolution alternatives), as well as the addition of more instant liquidity (via our new Line of Credit facility) and the addition of a "bridge insurer" capability are all steps intended to ensure that – should such a worst-case scenario materialize – PACICC would be in an effective position to use the Resolution powers granted to us at our founding, and help to avert systemic risk to our industry.

Permanent Priority Issue – Mitigating Systemic Risk

In 2021, we updated our Systemic Risk Model for the first time since 2016. Findings were published in a major research report (*"How Big is Too Big? The Tipping Point for Systemic Failure"*) which clearly demonstrated that there is a threshold – insured losses in excess of $35B – beyond which otherwise healthy insurers could fail due to contagion (because of their obligation to absorb the insolvency costs of any failed companies). This risk can and must be mitigated. We believe it is best addressed through some form of government backstop that is available to the industry – beyond the "tipping point" of a $35B loss event.

We continue to engage actively with all stakeholders in this ongoing policy dialogue. And in recent discussions with Finance Canada and the industry, options around possible "multi-peril" pools – which would help to manage a range of tail-risks faced by our country (including flood, fire, wind, as well as quake) – appear to have moved to the fore. We will continue to work closely with all related stakeholders to advance such discussions. But, PACICC continues to remind those engaged in this important public policy work, that there is only one risk on this list which represents true systemic risk to the entire system. And that is earthquake. We very much hope that engaged discussion on other important risk factors does not detract from the simple reality that Canada urgently needs a backstop mechanism against this extreme tail-risk event.

While we are disappointed at the slow pace of this process, we remain optimistic that, in the course of 2023, we will be able to move this critical file forward toward final resolution. But, it is incumbent on our Board to plan for scenarios where no material progress is made in these discussions with Ottawa. In the course of 2023, PACICC staff will begin to develop contingency plan options in this regard.

Conclusion

Writing this letter has given me pause to reflect on the tremendous progress our Corporation has made over the past three years. This progress would not have been possible without the high-performance support of our hard-working staff, and I would like to extend my personal thanks to them here. This progress would also not have been possible without the active engagement of the industry that funds our efforts. I would like to extend my thanks to all of our Member Insurers for their interest and support in the work that we do on their behalf. Finally, this progress would not have been achieved without the strong coaching and guidance I continue to receive from our outstanding Board Chair Glenn Gibson and our entire Board of Directors. They have embraced a vision for a modernized PACICC – positioned to respond to the challenges of the future – and tasked PACICC Management with achieving significant new objectives to attain that vision. I have enjoyed every moment of the work in delivering against their ambitious agenda in the past year, and eagerly look forward to the important work ahead in 2023.

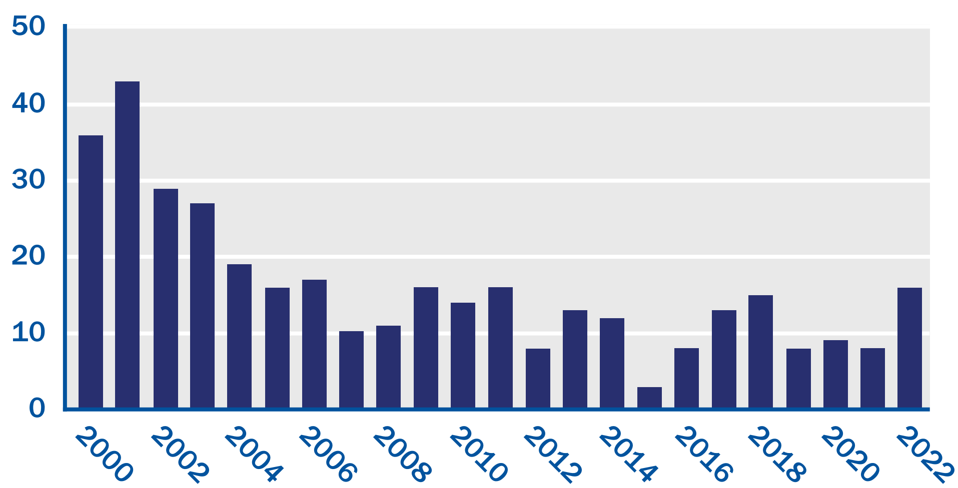
PACICC closely monitors the business environment of Canada's P&C insurance industry for two important reasons:

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 helping to resolve future insolvencies.

No Canadian P&C insurer failed in 2022. Given that two decades have passed since the last failure of a Canadian insurer, it might be tempting to conclude that insurer failures are a thing of the past. After all, there have been many significant improvements over the past twenty years, in the operation, governance and supervision of P&C insurers.

PACICC's scan of international markets has identified close to 370 P&C insurers that have failed around the world over the past 20 years. Many of these insurers operated in modern, well-regulated marketplaces, including the United States and across Europe. Despite the continued evolution of best practice in enterprise risk management and the ever-increasing rigour of prudential oversight across the developed world, P&C insurance companies can and do still fail – even in highly developed, modern economies.

Number of P&C insurers that failed since 2000



367 P&C insurers failed since 2000. On average, 15.9 P&C insurers fail each year

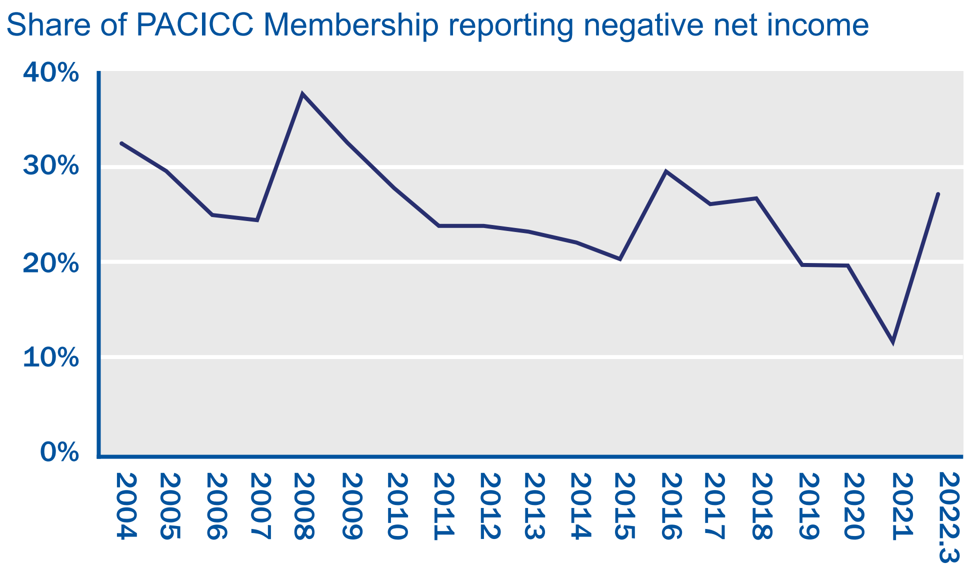
Source: PACICC based on data from MSA Research

Solvency risk in Canada likely to rise

In 2021, Canada's P&C insurers reported a return on equity (ROE) of 18.0 percent. These results were unsustainable for a highly competitive industry. 2022 financial results posted by Canada's P&C insurers represent the beginnings of an expected "reversion to the mean" and a return to historically "normal" levels of profitability. In the third quarter, the industry reported a ROE of 13.3 percent. This is still higher than the long-run average of 10.1 percent. So, based on historical patterns, it appears probable that there is further deterioration to come.

This deterioration creates higher risk of insolvency because the impact of these overall industry trends varies across PACICC's 170 Member Insurers. Canada's P&C insurance industry remains a competitive marketplace. Over the first nine months of 2021, 11.3 percent of insurers reported negative net incomes, despite this being the industry's most profitable year on record. Over the first nine months of 2022, 27.8 percent of P&C insurers reported negative net incomes. The 27.8 percent figure is generally in line with the industry's long-run average and so isn't a source of huge concern – yet.

Share of insurers that report negative net income



Source: PACICC based on data from MSA Research

Beyond the natural forces of the insurance cycle, there are other challenging issues that could increase the solvency risk of Canada's P&C insurers. They include:

1. Navigating an expected economic downturn in 2023-2024

Most economic forecasters are predicting slower economic growth over 2023 and 2024. Some are predicting a recession. Historically, Canada's P&C insurers are less impacted by economic slowdowns than many other businesses. Canadians still need auto insurance. They still need to pay for home insurance. However, the price of many commercial insurance policies is based on economic activity. These policies are likely to be impacted by the expected economic slowdown.

2. Threat of persistent inflation

Unexpected increases in inflation cause major problems for P&C insurers. P&C insurers set the price of insurance before they know all of the true costs they face to pay claims in the future. Inflation creates "underinsurance" risk for policyholders and makes replacement costs greater than anticipated following a claim. PACICC's *Why Insurers Fail* research series has consistently identified the underpricing of insurance as the largest single driver of insurer failure, globally and in Canada. Unfortunately, it is never clear if all insurers are able to adequately estimate their claims costs, in the face of sharply increasing inflation rates, until well after the fact.

3. Impact of rising interest rates

To combat inflation, the Bank of Canada has increased its targeted overnight interest rate from 0.5% in March 2022 to 4.5% in January 2023. This great of a swing in interest rates has not been seen in Canada for more than a generation and has already had a significant impact on the financial results of Canada's P&C insurers in 2022.

PACICC's database of industry results traces back to 1975. Over this 47-year period, P&C insurers have NEVER reported total annual investment losses as an industry – not once. This could change in 2022.
In the first nine months of 2022, Canada's P&C insurers reported a return on investment of -1.2 percent. This decline in investment returns is primarily the result of the dramatic rise in interest rates. As interest rates rise, the value of the industry's bond portfolio falls. Canada's P&C insurers hold approximately 75 percent of their invested assets in bonds.

Many P&C insurers will hold their portfolio of bonds until maturity and thus these losses will not be realized. They are losses "on paper." However, any insurers that actively trade their investments are facing a greater challenge and their results will bear close scrutiny.

4. IFRS 17 makes understanding insurer financial results more difficult

The challenges for our industry are further exacerbated by a major change in insurance accounting, created by the adoption of International Financial Reporting Standard (IFRS) 17. In 2023, all insurers have been required to adopt this standard, that materially changes how the insurance industry reports its financial results. In this critical transition period there will be a certain increase in solvency risk for insurers, simply because all of the financial guideposts and ratios used by insurers to manage their business have changed. The financial statements of insurers will be more difficult to understand – including by many insurance professionals and supervisors.

PACICC's *Why Insurers Fail* research series has found that changes in regulatory requirements and accounting rules can be a significant source of increased insolvency risk. Major changes in financial reporting have tended to expose problems within poorly-run insurers or allowed insurers to temporarily "manage" the impact of poor decisions.

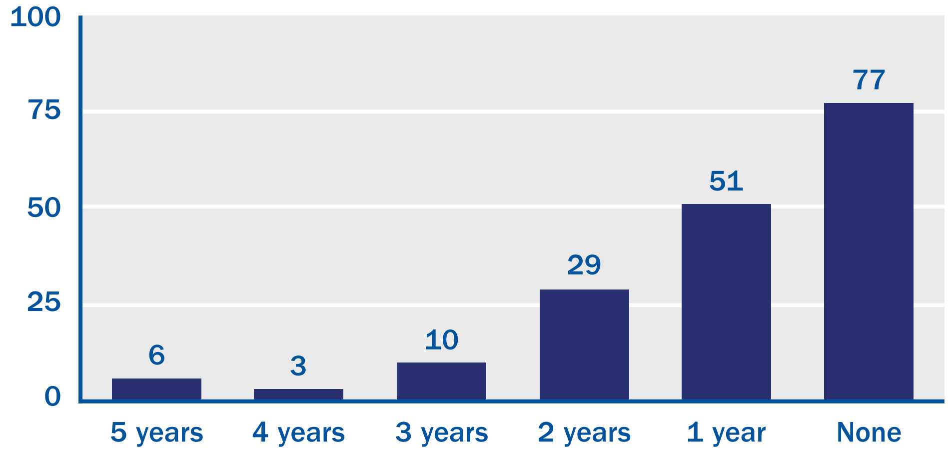
Summary

The challenge for those insurers that have reported negative net income over the past five years, is how quickly they can adapt to these challenges and return to profitability. Consistent profitability is the most important solvency metric for PACICC. And not all insurers have shown the ability to achieve this. There are a small number of insurers that have consistently reported negative net income, even in this abnormally profitable period, and it is these Member Insurers that PACICC continues to monitor most closely.

PACICC's preparedness

A long period of calm is not uncommon in the insurance industry. But, in this "time of peace," PACICC has taken important steps to enhance the Corporation's preparedness for a future insolvency.

Consistent losses are a leading indicator of future solvency issues
Number of times that PACICC Member Insurers reported losses in the past 5 years



Source: PACICC based on data from MSA Research

Unencumbered assessment capacity

All Member Insurers that were put into wind-up by their regulator (and required PACICC involvement to assess remaining insurers) have now been resolved. There are no outstanding or unresolved claims. PACICC estimates that in 2022, the total annual assessment capacity available to protect policyholders was $1.1 billion.

Adjusting benefit levels and coverage

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. The level of protection varies by line of business. The survey data indicated 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 indicated that 99.1 percent of open Personal Property claims would fall below PACICC's new $500,000 policy limit. In 2021, PACICC's Board of Directors also approved a Hardship Policy that details the process which will be followed to address possible claims above these claim limits.

PACICC's Resolution Protocol

PACICC's research program has confirmed that liquidation of a very large Member Insurer, and the substantial resulting PACICC assessment(s), could have significant and unintended adverse consequences on other Member Insurers, and thus potentially leave PACICC unable to fulfill its mission to protect consumers. To help to mitigate this risk, 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. The Protocol outlines alterative options which we and our regulatory partners might explore, and which could potentially avert a Court-ordered liquidation.

Increasing financial capacity

PACICC's Compensation Fund was initially established in 1997, to ensure PACICC's capacity to refund unearned premiums of affected policyholders following an insolvency without delay, while arrangements are being made for a General Assessment to collect additional required funds. A 2020 report from Eckler Ltd. found that the current Compensation Fund would not be large enough to rebate unearned premiums for policyholders, should any of PACICC's 70 largest Member Insurers default. Additional perspective on Fund adequacy was provided via other PACICC research. Our 2020 *Why Insurer's Fail* Tipping Point paper indicated that, for an earthquake generating losses of between $30 billion and $35 billion, a Fund of $225 million could potentially avert an urgent Special Assessment, and thus materially mitigate the risk of systemic contagion.

In 2023, PACICC's Board approved the implementation of a $250 million standby line of credit facility, that would help to cover the rapid return of policyholders' unearned premiums, up to an insolvency situation affecting one of PACICC's 15-largest Member Insurers. This facility, coupled with the assets in the Compensation Fund, could also assist with funding other types of resolution alternative which could be required if one of the 15-largest Member Insurers became distressed.

Looking ahead

Overall, entering 2023, the Canadian P&C industry is well capitalized and has demonstrated reassuring resilience in a very challenging period. 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 – a future which history indicates will likely come with declining returns and increased solvency risk.

Enterprise Risk Management

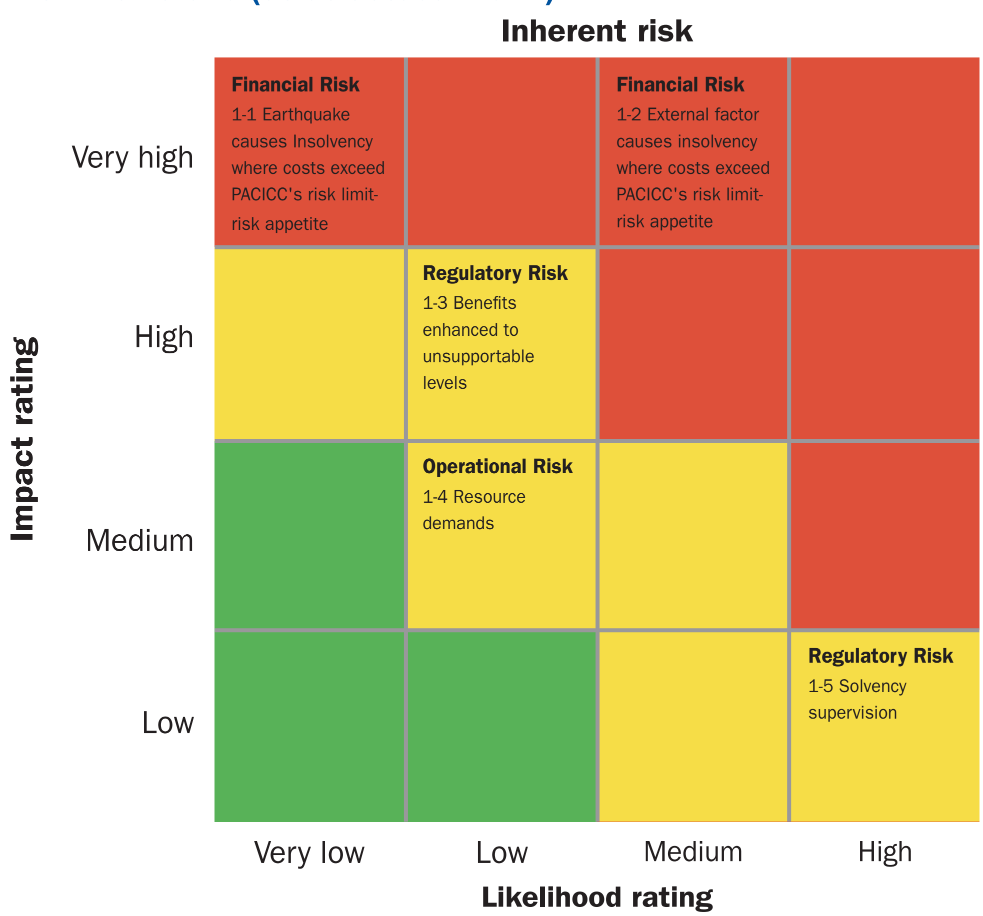
PACICC's Risk Management Report focuses narrowly on those risks that would cause the Corporation to fail to deliver on its three-part Mission:

1. Protecting eligible policyholders from undue financial loss in the event that a Member Insurer becomes insolvent
2. Working to minimize the costs of insurer insolvencies
3. Seeking to maintain a high level of consumer and business confidence in Canada's property and casualty (P&C) insurance industry through the financial protection that PACICC provides to policyholders.

There are 22 risks that are being actively monitored in PACICC's Risk Management Report. They include:

- Section 1 (Major Risks) – 5 Major Risks
- Section 2 (Risks to be Monitored) – 14 Risks to be Monitored
- Section 3 (Emerging Risks) – 3 Emerging Risks

Risk Profile Grid (as at October 2022)



There are two risks which PACICC considers to be severe enough to prevent the Corporation from fulfilling its obligations to policyholders, should it materialize. One 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 second is the risk of a major external event (e.g. cyber attack) causing a very large insurer to fail, or leading to multiple, smaller insolvencies. The result of these risks 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 $2.32 billion). This inability to fulfill obligations to policyholders in a timely manner could damage not only the reputation of PACICC, but that of the P&C insurance industry. It is for this reason that mitigation of these particular risks remains a top priority for PACICC.

PACICC's priority risks (risk profile)

1-1 Financial Risk

A catastrophic earthquake 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 Financial Risk

A major external event (e.g. cyber attack) 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)

1-3 Regulatory Risk

PACICC could be compelled to increase coverage and benefits beyond levels that its Members would support

1-4 Operational Risk

The insolvency of a larger Member, group, or concurrent multiple Member failures, or another event (e.g. COVID-19), places extraordinary demands on human resources

1-5 Regulatory Risk

Supervisory practices are below minimum IAIS standards

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 some form of a "backstop" facility – provided by the Federal Government – following a catastrophic earthquake. Such a mechanism would enable the industry to pay eligible claims of policyholders of any Member Insurers that failed due to the earthquake, rather than having PACICC respond via its General Assessment mechanism – which could possibly cause financial contagion in the industry.

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

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INDEPENDENT AUDITOR'S 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, 2022
- 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, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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 ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's 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) as issued by the International Accounting

Standards Board (IASB),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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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 2, 2023
Toronto, Canada

Statement of Financial Position

December 31, 2022, with comparative information for 2021
(In thousands of dollars)

	2022	2021
Assets		
Cash (note 7)	$2,203	$2,115
Short-term investments (note 7)	6,492	6,361
Bonds (note 7)	53,166	52,129
Accrued interest	277	184
Prepaid assets and other receivables	47	30
Property - right-of-use asset (note 10)	–	63
Total assets	**$62,135**	**$60,882**

	2022	2021
Liabilities and Equity		
Liabilities:		
Trade and other payables (note 8)	$183	$159
Finance lease liability (note 11)	–	67
Total liabilities	183	226
Equity:		
Operations surplus	2,060	1,978
Compensation Fund	59,892	58,678
Total equity	61,953	60,656
Total liabilities and equity	**$62,135**	**$60,882**

See accompanying notes to financial statements.

On behalf of the Board:

Glenn Gibson, *Board Chair*

Dave Oakden, *Director*

Statement of Comprehensive Income

Year ended December 31, 2022, with comparative information for 2021
(In thousands of dollars)

	2022	2021
Revenue from operations:		
Members assessments	$1,932	$1,923
Investment income	65	16
Institute for Catastrophic Loss Reduction cost recovery	128	124
	2,125	2,063
Expenses:		
Personnel costs	1,011	976
Research and professional fees	233	114
Premises	99	103
Investment management and service charges	79	79
Board of Directors	183	125
Legal fees	34	77
Corporate secretary and accounting services	108	51
Travel	55	5
Telephone and courier	16	19
Furniture and equipment maintenance	79	72
Communications and advertising	27	16
Interest expense financial lease liability (note 11)	2	4
Amortization of right-of-use asset (note 10)	63	63
Insurance	39	25
Miscellaneous	15	11
	2,043	1,740
Comprehensive income – Operations	82	323
Liquidations:		
Investment income	–	1
Other expense (claims paid/distribution expenses)	–	41
Comprehensive income – Liquidations	–	42
Compensation Fund:		
Net Investment income	1,214	1,156
Comprehensive income – Compensation Fund	1,214	1,156
Net income and comprehensive income	**$1,296**	**$1,521**

All income is attributable to Members.

See accompanying notes to financial statements.

Statement of Changes in Equity

Year ended December 31, 2022, with comparative information for 2021
(In thousands of dollars)

	Operations surplus	Liquidation surplus	Compensation Fund	Total
Balance, December 31, 2020	$1,655	$60	$57,420	$59,135
Comprehensive income	323	42	1,156	1,521
Transfers (notes 4(c) and 6)	–	(102)	102	–
Balance, December 31, 2021	1,978	–	58,678	60,656
Comprehensive income	82	–	1,214	1,296
Balance, December 31, 2022	**$2,060**	**$ –**	**$59,892**	**$61,952**

See accompanying notes to financial statements.

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021
(In thousands of dollars)

	2022	2021
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses:		
Operations	$82	$323
Liquidations	–	42
Compensation Fund	1,214	1,156
Amortization of bond premium/discount/impairment	(224)	(331)
Change in accrued interest	(43)	7
Change in prepaid assets other receivables	46	(28)
Change in trade and other payables and provisions	(43)	(107)
Cash provided by (used in) operating activities	1,032	1,062
Investing activities:		
Maturity of investments	14,291	9,164
Purchase of investments	(15,103)	(10,040)
Unrealized (gains)/losses on short term investment	(132)	(15)
Cash used in investing activities	(944)	(891)
Increase in cash	88	171
Cash, beginning of year	2,115	1,944
Cash, end of year	**$2,203**	**$2,115**

See accompanying notes to financial statements.

Notes to Financial statements

(Tabular amounts in thousands of dollars)
Year ended December 31, 2022

The Property and Casualty Insurance Compensation Corporation ("PACICC" or the "Corporation") was incorporated under the provisions of the Canada Corporations Act on February 17, 1988 and operates as a non-profit organization. The objective of PACICC is to be available to make payments to insured policyholders in the event that a Property and Casualty ("P&C") insurer that is a member becomes insolvent. PACICC works to minimize the costs of insurer insolvencies and seeks to maintain a high level of consumer confidence in Canada's P&C industry through the financial protection they provide to policyholders. The Corporation's members include all licensed property and casualty insurers (other than Farm Mutuals) and all government-owned P&C insurers (other than those writing automobile insurance only) carrying on business in a participating jurisdiction. For a full description of the protection provided, reference should be made to PACICC's By-Laws and Memorandum of Operation.

The Corporation is domiciled in Canada. The address of the Corporation's registered office is 80 Richmond Street West, Suite 607, Toronto, Ontario, M5H 2A4.

The financial statements of the Corporation for the year ended December 31, 2022 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, 2022 have been approved for issue by the Board of Directors on March 2, 2023

(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 includes a forward-looking expected credit loss model applicable 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 contracted cash flows with no intention to carry out 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.

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:

2. Significant accounting policies (continued):

- 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:

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 lifetime 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.

2. Significant accounting policies (continued):

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) Leases:

In 2021, the Corporation had a lease agreement for real estate that is used for office space in the ordinary course of business. The Corporation recognizes an asset representing the right-of-use (“ROU”) the underlying asset during the remaining lease term and recognizes a liability to make lease payments as required under IFRS 16 Leases (“IFRS 16”).

The ROU is initially measured at cost which is the initial amount of the lease liability. The useful life of the ROU asset is based on the lease term.

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
- 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.

2. Significant accounting policies (continued):

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 enters into a contract of membership with the Corporation. This membership cannot be cancelled by either the P&C insurer or PACICC and will only lapse 6 months after the license for insurance is revoked or cancelled for the insurer by the relevant authority. This membership is the contract with the various P&C insurers for the Corporation. As part of this membership, assessment fees are 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 IFRS).

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.

3. Changes in accounting and reporting policies (continued):

The Corporation has determined that the adoption of this amendment will not have an impact 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 has determined that the adoption of this amendment will not have an impact on its financial statements.

IAS 1, Classification of Liabilities as Current or Non-Current:

The amendments, as issued in 2020, aim to clarify the requirements on determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after January 1, 2023. However, the IASB has subsequently proposed further amendments to IAS 1 and the deferral of the effective date of the 2020 amendments to no earlier than January 1, 2024

The Corporation is currently assessing the impact the adoption of this amendment 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 Fund:

Separate funds are maintained for each active member insolvency in the process of liquidation. Refer to Note 5 for details.

(Tabular amounts in thousands of dollars)
Year ended December 31, 2022

5. Operating, Compensation and Liquidation Fund information:

(a) Statement of financial position as at December 31, 2022:

Assets	Operations	Compensation	Total
Cash	$2,187	$16	$2,203
Investments	–	59,658	59,658
Accrued interest	9	218	227
Prepaid assets and other receivables	47	–	47
Property - right-of-use asset	–	–	–
Total assets	**$2,243**	**$59,892**	**$62,135**
Liabilities and Equity			
Liabilities:			
Trade and other payables	$183	$ –	$183
Financial lease liability	–	–	–
Total liabilities	183	–	183
Equity:			
Operations surplus	2,060	–	2,060
Compensation Fund	–	59,892	59,892
Total equity	2,060	59,892	61,952
Total liabilities and equity	**$2,243**	**$59,892**	**$62,135**

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: Miller, 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.

PACICC is obligated to refund dividends from liquidation funds to member companies when they are no longer needed to support specific insolvencies. 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, 2020, PACICC had paid out $21,059,674 in liquidation dividends from the total amount authorized for distribution of $21,100,257. Despite a residual unclaimed amount of $40,583 at the end of 2020, PACICC has continued to be actively engaged in the process of determining ultimate ownership via public notifications and locating members to disburse the residual surplus liquidation funds. There were no further distributions to members in 2021 and 2022.

The residual liquidation dividends that remained unclaimed, were transferred on November 2, 2021 for reinvestment together with the residual surplus in the liquidation fund to the PACICC Compensation Fund.

(Tabular amounts in thousands of dollars)
Year ended December 31, 2022

7. Financial instruments:

(a) Carrying values and fair values:

	2022		2021	
	Carrying value	Fair value	Carrying value	Fair value
Cash	$2,203	$2,203	$2,115	$2,115
Short-term investments	6,492	6,492	6,361	6,361
Bonds	53,166	51,127	52,129	52,574
	$61,861	**$59,822**	**$60,605**	**$61,050**

Cash and bonds are recorded at amortized cost. Short-term investments are recorded at FVTPL. The 12-month expected credit loss recognized is $62,940 (2021 - $66,032).

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).

(b) Short-term investments:
These investments have an aggregate carrying value of approximately $6,491,644 (2021 - $6,360,819). 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.

(c) Bonds:

	Remaining term to maturity			December 31, 2022		December 31, 2021	
	Within 1 year	1 to 5 years	Over 5 years	Total carrying amount	Effective rates	Total carrying amount	Effective rates
Government	$13,701	$23,750	$ –	$37,451	0.35% - 3.63%	$35,499	0.35% - 2.77%
Corporate	1,062	14,653	–	15,715	1.20% - 5.39%	16,630	1.20% - 3.37%
	$14,763	**$38,403**	**$ –**	**$53,166**	**0.35% - 5.39%**	**$52,129**	**0.35% - 3.37%**

8. Due to the Insurance Bureau of Canada

Starting October 2021, electronic fund transfers were setup directly from PACICC bank account and as such the need for Insurance Bureau of Canada (“IBC”) to initially incur the costs and later get reimbursed was reduced to $nil (2021 - $599,935).

During 2022, PACICC reimbursed IBC for Finance and Legal servicing fees of $107,927 (2021 - $50,850) reflected in Corporate secretary and accounting services expenses. At December 31, 2022 PACICC had a payable balance with IBC in respect of these costs of $nil (2021 - $27,996).

9. Assessment capacity:

PACICC has the ability to make a maximum potential annual general assessment of members of 1.5% (2021 - 1.5%) of covered premiums written, which amounts to approximately $1.16 billion in 2022 (2021 - $1.07 billion).

(Tabular amounts in thousands of dollars)
Year ended December 31, 2022

10. Property - right-of-use asset:

Cost	
January 1, 2022 - recognition of right-of-use asset	$ 253
Additions	–
Disposals	–
December 31, 2022	$253
Accumulated amortization	
January 1, 2022 - accumulated amortization	$(190)
Amorization	(63)
Disposals	–
December 31, 2022	$(253)
Net book value	
December 31, 2021	**$63**
December 31, 2022	**$ –**

11. Leases

Amounts recognized in statement of comprehensive income:

	2022	2021
Amortization of property - right-of-use asset	$63	$63
Interest on financial liability	2	4

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, 2022:

	2022	2021
One year or less	$–	$69
One to five years	–	–
Total undiscounted lease liabilities	–	69
Discounted adjustment	–	(2)
Lease liabilities	**$ –**	**$67**

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:

On November 22, 2022, the Corporation signed a new lease for office premises commencing June 1, 2023 for a period of five years ending May 31, 2028. The annual base lease commitment is $35,371.

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.

(Tabular amounts in thousands of dollars)
Year ended December 31, 2022

13. Fair value disclosure (continued):

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

	2022	2021
Level 1	$ –	$ –
Level 2	51,127	52,574
Level 3	–	–
	$51,127	**$52,574**

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:

	2022		2021	
Credit rating	**Carrying value**	**Percentage of portfolio**	**Carrying value**	**Percentage of portfolio**
AAA	$32,704	61.5%	$29,442	56.5%
AA	12,152	22.9%	11,254	21.6%
A	4,445	8.3%	7,749	14.8%
BAA	–	– %	449	0.9%
BBB	3,865	7.3%	3,235	6.2%
Total	**$53,166**	**100%**	**$52,129**	**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, 2022, 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 $1,197,064 (2021 - $1,130,330).

(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.

(Tabular amounts in thousands of dollars)
Year ended December 31, 2022

14. Financial risk management (continued):

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% (2021 - 1.5%) of covered premiums written, which amounts to approximately $1.16 billion in 2022 (2021 - $1.07 billion).

15. Remuneration:

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

	2022	2021
Directors' fees	$183	$125
Salaries	822	805
Other benefits	92	82
	$1,097	**$1,012**

16. Subsequent Event:

In November 2022, the Board approved establishment of $250M standby line of credit (LoC) facility subject to Management successfully negotiating such a facility at satisfactory terms and with satisfactory conditions. Oversight for the work of Management was provided by the Audit & Risk Committee of the Board with support from an industry Working Group. Subsequent to year-end, the negotiations reached a satisfactory conclusion. On February 10, 2023 the Audit & Risk Committee recommended approval of a proposal to enter into 2-year Revolving Line of Credit to the Board and the Board voted to approve the required Resolutions on Feb. 17, 2023.

This facility is “co-led” by CIBC and RBC (with CIBC acting as Administrative Agent) and has received support from all six major Canadian banks. The facility enhances PACICC’s short-term liquidity capacity and enables the Corporation to respond effectively to resolution and/or insolvency scenarios. The cost to the industry after the one-time start-up costs will come in the form of annual “standby fees.”

17. 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, there have been no significant implications on the Corporation due to the pandemic identified.

2022/23 Board

Glenn Gibson
Chair
President and CEO
The GTG Group

Anne-Marie Beaudoin
Consultant

Alister Campbell
President and CEO
PACICC

Brian Esau
President and CEO
Red River Mutual Insurance Company

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

Lisa Guglietti
Executive Vice-President, Chief Operating Officer, P&C Manufacturing
Co-operators General Insurance Company

Timothy Hodgson
Consultant

Penny Lee
Consultant

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.

Mark Tullis
Vice Chair
Intact Financial Corporation

Silvy Wright
President and CEO
Northbridge Financial Corporation

Board Committees

Audit and Risk

Dave Oakden (Chair)
Brian Esau
Glenn Gibson
Lisa Guglietti
Penny Lee
Heather Masterson
Silvy Wright

Governance and Human Resources

Glenn Gibson (Chair)
Anne-Marie Beaudoin
Christian Fournier
Lynn Oldfield
Jason Storah
Mark Tullis

Pre-Insolvency Regulatory Liaison

Penny Lee (Chair)
Anne-Marie Beaudoin
Alister Campbell
Glenn Gibson
Timothy Hodgson
Penny Lee
David MacNaughton
Dave Oakden

***Retired from the SIMA Board in 2022.** Andrew Cartmell (*President and CEO,* Saskatchewan Government Insurance)

2022/2023 Staff

Full-time staff

Alister Campbell
President and Chief Executive Office

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

Mario Fiorino
Corporate Secretary

Zhe (Judy) Peng
Research Associate

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Phone (416) 364-8677
www.pacicc.ca

Provincial regulators

British Columbia
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CEO and superintendent of Financial Services
B.C. Financial Services Authority
600-750 West Pender Street
Vancouver, British Columbia
V6C 2T8
Tel: (604) 660-3555
www.bcfsa.ca

Alberta
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Assistant Deputy Minister and Superintendent of Insurance
Pensions and Financial Institutions Financial Sector Regulation and Policy Division
Alberta Treasury Board and Finance
443 Terrace Building
9515 – 107 Street
Edmonton, Alberta T5K 2C3
Tel: (780) 427-8322
www.alberta.ca/insurance.aspx

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

Manitoba
J. Scott Moore
Superintendent of Financial Institutions
Financial Institutions
Regulation Branch
500 – 400 St. Mary Avenue
Winnipeg, Manitoba R3C 4K5
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www.mbfinancialinstitutions.ca

Ontario
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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
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www.novascotia.ca

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

New Brunswick
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Financial and Consumer Services Commission
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Tel: (886) 993-2222
www.fcnb.ca

Newfoundland and Labrador
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Superintendent of Insurance
Financial Services Regulation Division Service NL
Government of Newfoundland and Labrador
Confederation Building, 2nd Floor, West Block, P.O. Box 870
St. John's, Newfoundland A1B 4J6
Tel: (709) 729-4909
www.gov.nl.ca/dgsnl/department/branches/divisions/fsr/

Northwest Territories
Tegwen Jones
Superintendent of Insurance
Department of Finance
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 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
Peter Routledge
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
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
Beneva	Beneva
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)
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.
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)
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
Four Points Insurance Company Ltd.	Four Points Insurance Company Ltd.
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)

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
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
N.V. Hagelunie	N.V. Hagelunie
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
Sandbox Mutual Insurance	Sandbox Mutual Insurance
Safety National Casualty Corporation	Safety National Casualty Corporation
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 Insurance Services Ltd.	SGI Canada Insurance Services Ltd.
Sompo Japan Insurance Inc.	Assurances Sompo 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)
Stanley Mutual Insurance Company	Stanley Mutual Insurance Company
Starr Insurance & Reinsurance Ltd.	Starr Insurance & Reinsurance Ltd.
Swiss Re Corporation Solutions America Insurance Corporation	Swiss Re Corporation Solutions America Insurance Corporation
St. Paul Fire & Marine Insurance Company	Compagnie d'Assurance Saint Paul
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
Tokio Marine Canada Ltd.	Tokio Maritime Canada 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
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
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