PACICC

Property and Casualty Insurance Compensation Corporation

2023 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

Table of Contents

Key accomplishments in 2023

- The first Priority Issue was our Review of Coverage and Benefits – a core component of our operating model. The last comprehensive review was completed in 2019, and resulted in materially updated benefit limits for all lines of business and some additional, minor refinements to lines of coverage. At that time, our Board committed to the Canadian Council of Insurance Regulators (CCIR) that our next review would take place in three years' time. As a result of this most recent review, our Board has proposed to CCIR that an annual inflation adjustment (CPI) be included in the PACICC benefit limits for Automobile coverage and for Personal Property coverage. Benefit limits for Commercial coverage will continue to be reviewed every five years. If approved by regulators, the proposed changes will take effect in 2024
- In February, we materially expanded PACICC's financial capacity with the establishment of a $250M revolving standby line of credit (LoC) facility, supported by all six major Canadian Banks. This LoC facility complements our existing emergency financial capacity (approximately $60M in our Compensation Fund) and can be used in resolution and/or liquidation scenarios. Our expanded capacity is now adequate to address short-term emergency funding needs in scenarios involving all but the top-17 of our Member Insurers. This represents a significant upgrade in our capacity to respond in a wider range of adverse scenarios and enhances our ability to successfully deliver for Canadian policyholders in a timely manner, if and when the next insolvency occurs
- We also made great strides toward further enhancing PACICC's Resolution capabilities with preparatory work to establish an OSFI-chartered "Bridge Insurer." Our peer organization in the Canadian life insurance sector (Assuris) incorporated its own Bridge Insurer ("CompCorp Life") under OSFI supervision many years ago. At the direction of our Board, PACICC staff has engaged with OSFI on the establishment of a bridge insurer charter which would have applicability in a range of distress/crisis scenarios. Such a charter will help to ensure that PACICC is better positioned to be an effective resolution partner for supervisors dealing with a case of insurer distress in very specific but credible scenarios (e.g., an insurer that incurred "toxic liabilities," or distress among any of our industry's top-17 insurers, where sudden liquidation would be intolerably costly for all). Work on this file is continuing throughout 2024

- 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. This will remain a PACICC Permanent Priority Issue until such time as Canada finally adopts a solution to this known and significant systemic risk
- We published the latest report in PACICC's *Why Insurers Fail* research series – "*When, Where and How Often Insurers Fail: Introducing the Global Failed Insurer Catalogue.*" The 66-page study, co-authored by PACICC Chief Economist Grant Kelly and Research Associate Zhe (Judy) Peng, is a landmark accomplishment. The Catalogue documents an astonishing 547 known Property and Casualty (P&C) and Life insurer failures that occurred in 55 jurisdictions around the world, from 2000 to 2022. Of particular interest is the rising trend in natural catastrophe-triggered insurer failure, perhaps linked to climate change. It is PACICC's intention to update the Catalogue annually, ensuring its usefulness as an evolving data source in the years ahead
- In March, we hosted a Cyber Risk Webinar 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 Webinar examined OSFI's Perspectives on Technology and Cyber Risk, as well as evolving best practice related to Post-Data Breach. These webinars (now offered on an ad hoc basis, as new threats are identified) 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 2023, and three Emerging Risks Webinars. Online registrations for all events remained at peak levels, right across Canada. The final Forum Meeting was hybrid (both online and in-person), and included a reception for in-person attendees to network and celebrate another successful year of Forum programming
- We published four issues of our popular *Solvency Matters* newsletter in 2023 (with a lengthy and growing industry distribution list), and continue to receive extensive trade press coverage and favourable industry feedback on issues profiled in each publication

- We continue to enhance our visibility through the use of social media platforms (X and LinkedIn) to engage Members and the public
- Our active involvement with the International Forum of Insurance Guarantee Schemes (IFIGS) continues to provide PACICC with access to international best practices. PACICC led the Policy and Profile Working Group and provided meaningful input into the latest Application Paper published by the International Association of Insurance Supervisors (IAIS) on the subject of Policyholder Protection mechanisms.

This past year was a particularly productive year for PACICC. It was also a year of significant change for the industry, as it dealt with the introduction of International Financial Reporting Standards (IFRS 17) and the aftermath of the COVID-19 global pandemic.

In 2022, the investment results of Canada's P&C industry hit an all-time low with its substantial bond portfolios negatively impacted by the sharp increase in interest rates. Happily, this trend was largely reversed in 2023. PACICC Member Insurers are now back to reporting more normal levels of positive net investment results. For the first nine months of 2023, P&C insurers reported a return on investment of 2.7%. Over the same period last year, that figure was -2.2% – a $1.8 billion swing in industry profitability in just one year.

While investment returns increased over the past year, the industry's insurance results were slightly worse. Insurance Revenue has grown by a healthy 8% compared to the same period in 2022, but Insurance Service Expenses grew by 9.1%. This has led to a $94 million decline in 2023's Insurance Service Result (previous called underwriting income), compared to 2022 (through nine months). With a Net Insurance Service Ratio ("NISR") of 111.6%, Personal Property coverage was the largest source of concern for underwriters. This was due to more than $3 billion in catastrophic losses in the first three quarters of 2023, according to CatIQ. For comparison, the NISR was 92.6% for Auto insurance, 86.6% for Commercial Property and 80.2% for Liability.

"As we had predicted last year, the abnormally high industry returns of 2021-22 returned to historically average levels in 2023."

As we had predicted last year, the abnormally high industry returns of 2021-22 returned to historically average levels in 2023. Through the first nine months of this year, the annualized return on equity (ROE) fell to 11.5% – in line with the industry's pre-IFRS 17 long-run average ROE. Between 1975 and 2022, Canada's P&C insurance industry reported an average ROE of 10.5%.

I am pleased to report that PACICC made significant progress on three Priority Issues in 2023. The first focused on Coverage and Benefits – a core component of our operating model. Our Board has a mandate to review coverage and benefit levels “from time to time” to ensure that the levels are adequate and provide appropriate protection to policyholders. The last comprehensive review was completed in 2019, and resulted in materially updated benefit limits for all lines of business and some additional, minor refinements to lines of coverage. At that time, we committed to the Canadian Council of Insurance Regulators (CCIR) that we would review coverage and benefits at least once every five years, with the next review occurring within three years (2023). The accelerated timeline for this review was to ensure that we responded to CCIR’s request that we specifically incorporate province-by-province analysis of the adequacy of PACICC benefit limits.

As a result of this most recent review, we have recommended to CCIR that an annual inflation adjustment be included in the PACICC benefit limits for Automobile coverage and for Personal Property coverage. Benefit limits for Commercial coverage will continue to be reviewed every five years. If approved by regulators, the proposed changes will be presented to PACICC Members for approval at the AGM in April 2024. Upon approval from Members, the proposed changes would take effect immediately.

“Our expanded capacity is now adequate to address short-term emergency funding needs in scenarios involving all but the top-17 of our Member Insurers.”

Our second Priority Issue concerned Expanded Financial Capacity. Over the past several years, we had examined a number of different ways to expand our short-term financial capacity, without burdening Member Insurers with large increases in annual Administrative Assessments. In consultation with Members, a range of options were considered, which included both reinsurance purchases and/or a resumption of capital levies. It was ultimately agreed that a Standby Line of Credit (LoC) facility would be the most cost-effective option for PACICC and the industry. In February of 2023, we successfully secured a $250M revolving standby LoC facility, supported by all six major Canadian Banks.

This LoC facility will complement our existing emergency financial capacity (approximately $60M in our Compensation Fund) and can be used in resolution and/or liquidation scenarios. Our expanded capacity is now adequate to address short-term emergency funding needs in scenarios involving all but the top-17 of our Member Insurers. This represents a significant upgrade in our capacity to respond in a wider range of adverse scenarios and enhances our ability to successfully deliver for Canadian policyholders, if and when the next insolvency occurs.

Our third Priority Issue related to Enhanced Resolution Capabilities. During the 2020 industry consultation regarding "Expanding PACICC's Resolution Toolkit," it was suggested that PACICC seek to establish an OSFI-chartered "Bridge Insurer." Our peer organization in the Canadian life insurance sector (Assuris) had long ago incorporated its own Bridge Insurer ("CompCorp Life") under OSFI supervision. Earlier this year and at the direction of the Board, PACICC staff engaged with OSFI on this initiative.

We see merit in the applicability of this mechanism in a range of distress/crisis scenarios, and believe it would represent a meaningful enhancement of our response capabilities. A Bridge Insurer charter would help to ensure that we are better positioned to be an effective resolution partner for supervisors dealing with a case of insurer distress in very specific but credible scenarios (e.g., an insurer that incurred "toxic liabilities," or distress among any of our industry's top-17 insurers, where sudden liquidation would be intolerably costly for all). Work on this file is continuing and we will be providing an update to all Members as the application process with OSFI proceeds.

> **"A bridge insurer charter would help to ensure that we are better positioned to be an effective resolution partner for supervisors dealing with a case of insurer distress in very specific but credible scenarios (e.g., an insurer that incurred "toxic liabilities," or distress among any of our industry's top-17 insurers, where sudden liquidation would be intolerably costly for all)."**

On behalf of my Board colleagues, I extend sincere thanks to the small Management team at PACICC for the continuing high quality of their work. The move to new office premises, adoption of a hybrid work routine and ongoing pandemic concerns has not slowed the pace of their response to a challenging workload. We were pleased to welcome Marc Lipman and Andy Taylor to the Board at the start of 2023. Later in the year, we bid a fond farewell to retiring Board members Jason Storah and Mark Tullis, and welcomed Tracy Garrad and Frédéric Cotnoir to join the Board in their place, respectively.

I am grateful to all of my Board colleagues for their professionalism and dedication to PACICC's Mission. Their guidance and input on key issues continue to enrich the work of the Corporation, and made my role as Chair just that much more rewarding. I myself will be retiring from the PACICC Board at the end of this fiscal year, after eight enjoyable years of service (five as Board Chair). I am confident that the organization is in good hands and well positioned for success in the years ahead.

Introduction

The past year was a period of adjustment for our industry, which once again demonstrated its extraordinary resilience in the face of numerous challenges. Industry losses from natural catastrophes and severe weather events exceeded $3 billion for the second year in a row. Added to that pressure was the introduction of new financial reporting standards (IFRS 17) for the industry and the echoing effects of a global pandemic. While overall industry returns are reverting to long-term averages, our industry remains well capitalized and generally profitable. Our outlook for 2024 is one of cautious optimism.

Despite the challenges that our industry faced in 2023, I am pleased to confirm that no PACICC Member Insurer experienced financial distress, and no Canadian policyholders were forced to call upon PACICC for the protections that we stand ready to provide. In this period of calm, we are continuing our work a number of important initiatives to modernize our institution and ensure that we have the capacity to respond effectively to the challenges faced by a rapidly evolving industry. Working closely with our deeply engaged Board members, we have set out a Plan for the coming year that will see our small but highly effective team deliver measurable progress on an ambitious agenda. The results of this work will help to enhance the effectiveness of our operating model and ensure we are fully prepared for the inevitable challenges that the future will bring.

Priority Issue – Completion of Coverage & Benefits Action Plan

The first order of business in 2024 will be the completion of our Coverage and Benefits Review Action Plan. In 2020, we committed to the Canadian Council of Insurance Regulators (CCIR) that we would review our coverage and benefits at least once every five years, with the next review occurring within three years (in 2023). This review was the Corporation's Priority Issue last year and was again based on three guiding principles – Fairness; Transparency/Clarity; and Modernization. We reviewed: extent of coverage, claim limits, return of unearned premiums, hardship claims, threshold for commercial coverage eligibility and benefit limits at the provincial level (i.e. would it be appropriate to have higher limits in certain provinces to reflect higher average claim costs?).

The resulting analysis provided compelling evidence that PACICC offers Canadian policyholders a very high level of protection. Should a PACICC Member fail, roughly 98 percent of all Personal lines policyholders would be protected (on average) to the full value of their claim (with the remaining two percent partially protected). While the review did find that PACICC limits are equally robust across all provinces, it became clear that inflation had eroded PACICC benefit limits, even in the brief three-year period between 2020 and 2023.

Our Board has recommended to CCIR that an annual inflation adjustment be included in our benefit limits for Automobile and Personal Property coverages. We have also committed to develop options for an alternative "hardship" claims adjudication model to address potentially significant volumes of such claims in the event of a natural catastrophe-induced Member Insurer failure. If approved by regulators, the proposed changes will be presented to our Members at the AGM in April 2024. Upon approval from Members, the proposed changes would be implemented immediately.

Key Priority #1 – Expanding Resolution Capabilities (Bridge Insurer)
Our #1 Priority Issue for 2024 will be engaging with OSFI and PACICC Members to establish the appropriate governance model, optimal approach to capitalization and detailed approach to operationalization of a federally-chartered "Bridge Insurer" for the Corporation – *PACICC General Insurance*.

"We now believe that such a mechanism, specifically designed for the needs of the P&C sector, could meaningfully enhance our response capabilities."

During the comprehensive industry consultation that we conducted in 2020 around "Expanding PACICC's Resolution Toolkit," the idea of PACICC incorporating an OSFI-chartered "Bridge Insurer" piqued participants' interest. After more comprehensive discussions with key stakeholders during the lead-up to our June 2022 Strategic Planning Conference, the rationale for adding this tool – suited to a range of distress/crisis scenarios – was affirmed.

In strategic discussions with our Board, we noted that our peer organization in the Canadian life insurance sector (Assuris) had long ago incorporated a similar entity (*CompCorp Life*) under OSFI supervision. Assuris shared useful insights with us regarding the relatively low operational costs of having this asset in its resolution toolkit.

We now believe that such a mechanism, specifically designed for the needs of the P&C sector, could meaningfully enhance our response capabilities. We would be better positioned to serve as an effective resolution partner for supervisors dealing with cases of insurer distress, in very specific but credible scenarios. Such situations could include an insurer incurring “toxic liabilities,” or circumstances involving any one of our industry’s top-17 insurers in financial distress, where sudden liquidation would be very costly for all involved.

At the direction of our Board, we initiated dialogue with OSFI regarding this prospective enhancement to our resolution infrastructure. OSFI responded by providing us with a “streamlined application process.” Earlier in 2023, we worked to develop an initial draft application that was submitted to OSFI. OSFI has responded with a comprehensive list of topics/questions (around governance, capitalization, legal process, information flow and operationalization) to be addressed in the next stages of its application review process. Work here is ongoing, with monthly “checkpoint” meetings established to ensure effective project management of this comprehensive application.

We are placing significant effort into moving this important capability-enhancing initiative forward. Our industry structure has changed over recent decades with a significant trend toward consolidation. This has led to a growing number of Member Insurers whose financial distress could trigger a PACICC Assessment which, of and by itself, would cause financial distress for other Member Insurers. These are the scenarios where “resolution” alternatives to liquidation become imperative. We have already taken significant steps to enhance our capacity to make effective use of the resolution powers granted to PACICC upon its founding, to avert systemic risk to our industry. These steps include: our 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); and the addition of more instant liquidity via our new Standby Line of Credit facility. The addition of a Bridge Insurer capability will be another important step in this effort.

Of course, Member consensus around our approach to launching this bridge mechanism will be essential. To that end, there will be much more dialogue with Members regarding key policy decisions over the course of the year. We are seeking to complete the Bridge Insurer approval process by the end of 2024. We will then seek to initiate the formal mechanisms to establish the new Bridge Insurer entity – subject to all regulator and Member approvals – in the course of 2025.

Key Priority #2 – Expanding our Financial Capacity (Medium-/Long-Term Capacity Options)
Our #2 Priority Issue in 2024 centres on Expanding PACICC's Financial Capacity. We will seek to explore whether the potential exists to access capital markets for debt financing in a circumstance where greater liquidity may be required than is otherwise available via PACICC's General Assessment mechanism. This alternative approach to grow capacity has been used to great effect in at least two jurisdictions in the U.S. – the Louisiana Insurance Guaranty Association (LIGA) and Florida Insurance Guaranty Association (FIGA). In 2022, LIGA raised $478 million with a bond offering (rated A1 by Moody's) that matures in 2038 with a 5 percent coupon. In the event of hurricane-related insolvencies that exceed FIGA's assessment capacity, or the desire to spread assessments over a larger time period, it can issue bonds (up to $750 million with a term up to 30 years) to obtain funds to pay covered claims.

In the course of this year, we will explore the implications of securing and maintaining a favourable rating for PACICC from a major rating agency (or agencies). Securing and maintaining such a rating would position us to respond in a wider array of crisis scenarios, but could also align well with our "low-cost optionality" model.

Permanent Priority Issue – Mitigating Systemic Risk
Back in 2013, PACICC published its first Systemic Risk study which found that there is a potential threshold ("Tipping Point") in total insured losses above which the entire Canadian P&C system would fail in its mission to protect Canadian policyholders. This threshold is very high, as the industry is highly capitalized and well reinsured. The study also noted that there were very few perils which could cause such large insured losses (e.g., asteroid strike, space weather, or a mega-earthquake in British Columbia or the Quebec City/Montreal/Ottawa corridor). We published an updated version of our Systemic Risk Model in 2016 and again in 2021. That most recent study pegged the "Tipping Point" at approximately $35B in insured losses.

The Federal Government made an explicit commitment in its 2017 Budget to address the systemic risks associated with a major quake. Since then, there has been substantial "dialogue" among key stakeholders at Finance Canada, IBC, ICLR, Public Safety Canada and PACICC – but limited tangible progress made. Our Board established "Mitigating Systemic Risk" as a Permanent Priority Issue for PACICC, until such time as some form of backstop mechanism is finally put in place.

In the most recent federal Budget, the Minister of Finance affirmed the Federal Government's commitment to addressing this issue, and the industry is closely engaged in discussions around how to implement public-private partnerships to address multiple perils including quake. We recognize that more time is needed for ongoing dialogue with Finance Canada to reach a successful conclusion. We will continue direct engagement with Finance Canada, OSFI, Bank of Canada, CMHC, FCAC and CDIC, as appropriate. We will also liaise with IBC and ICLR to ensure an efficient and effective alignment of our approaches.

While this dialogue continues, we will examine creative alternatives to address this systemic risk to PACICC, our industry and our country. At the direction of our Board, PACICC staff has begun to explore incremental options to help to mitigate such a colossal risk for the industry, including:

- ***An Amendment to PACICC's Memorandum of Operation re: Special Assessment* –** Replacing the obligation to establish a "maximum exposure" with a modernized, actuarially established "best estimate" would help to mitigate systemic risk in the case of serial Member Insurer failure. If approved by regulators, this proposal will be presented for Member approval at the April 11, 2024 AGM and, if endorsed, will take effect immediately

- ***Differential Treatment of PACICC Special Assessments* –** We see great benefit for Members in having OSFI agree to adjust the capital treatment of multi-year PACICC obligations in its Minimum Capital Test formula, in recognition of the systemic risks associated with forcing Member Insurers to reflect 100 percent of their total anticipated Assessments in their accounting liabilities. We will engage directly with OSFI on this issue in 2024, for consideration in its 2025 review of the P&C sector's capital requirement formula

- ***Designation of PACICC as a "Compensation Association" under the Federal Insurance Companies Act –*** PACICC has approached the Minister of Finance with a formal request for this designation, and we will be following up on this in the coming months. Regardless of the eventual solution adopted by Ottawa to address systemic risk, it will be easier for PACICC to engage as a trusted counterparty if we are formally recognized in the Act

- ***Further Desktop Insolvency Simulation Exercises –*** PACICC will actively engage with BCFSA (and other stakeholders) to conduct a desktop insolvency simulation exercise, examining the impact of a major earthquake on the financial services industries in B.C.

Conclusion

PACICC has made tremendous progress over the past year on issues that matter to our industry. This progress would not have been possible without the dedication and support of our hard-working staff, to whom I extend my personal thanks. This progress would also not have been possible without the active engagement of our Member Insurers that fund our efforts. I thank them 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 that I continue to receive from our outstanding Board Chair Glenn Gibson (who is retiring from our Board in 2024 after eight years of service, including five as Chair), and our entire Board of Directors.

"Our Board's vision for a modernized PACICC is helping to ensure that we are better positioned to respond to the challenges of the future."

Our Board's vision for a modernized PACICC is helping to ensure that we are better positioned to respond to the challenges of the future. I have enjoyed every moment of my work in delivering on an ambitious agenda over the past year, and eagerly look forward to continuing this meaningful and satisfying work in 2024.

P&C Insurance failures happen every year

Two decades have passed since a property and casualty (P&C) insurer failed in Canada – back in 2004 – and so it can be very tempting to conclude that insurer failures are a thing of the past. Unfortunately, this is not true.

PACICC's latest *Why Insurers Fail* research paper found that P&C and Life insurers are still failing every year, somewhere else in the world. PACICC has now compiled a Catalogue of Global Insurer Failures comprising some 547 P&C and Life insurers that failed since 2000. Our research shows that, on average, 17 P&C insurers and one Composite insurer (Life and P&C) failed annually. These failures occurred in 55 different jurisdictions. Each of these jurisdictions is unique, differing in size, population, political oversight, rule of law as well as regulatory framework governing financial services. The large sample identified worldwide however suggests that few, if any, countries are fully immune to the risk of insurer failure. All the more reason for us to remain on our guard here at home.

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 protect policyholders' in future insolvencies.

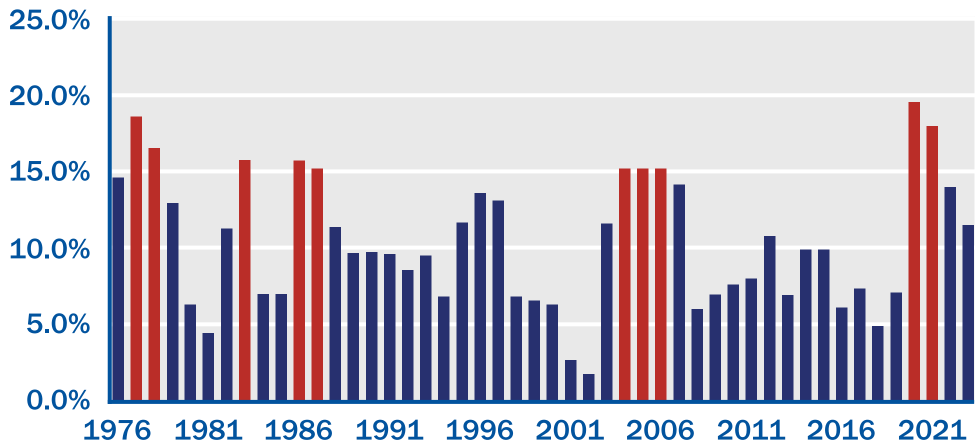
IFRS 17 resulted in a one-time increase in industry capital

In 2023, Canadian insurers began reporting under new International Financial Reporting Standards (IFRS 17). As a result, PACICC is unable to compare all current performance ratios to those in prior years. According to data from MSA Research, the new accounting standards have resulted in a one-time increase in industry capital of approximately $5 billion. This increase in capital, however, was not shared uniformly across insurers. Some 104 PACICC Members reported that the change to IFRS 17 resulted in increased capital. Another 35 PACICC Members reported that this change caused a reduction in their capital base.

Industry profits are reverting to the mean

This change in accounting standards came as Canada's insurance industry is experiencing its normal pattern of reversion, closer to its historical level of profitability. History shows that P&C insurance profitability in Canada has been widely cyclical. In the past, high levels of profitability have never proven to be sustainable for P&C insurers. Over the past 45 years, P&C insurers have reported returns on equity (ROE) greater than 15 percent on 10 occasions. These years of high profitability generally appear in clusters (e.g. 1977 to 1978; 1986 to 1987; and 2004 to 2006). The average ROE in these years of peak profitability was 16.8 percent. But, every single time that insurers have reported such above-average profits, competitive forces have quickly acted to cut the industry's ROE in half within two years.

Chart 1: P&C Return on Equity



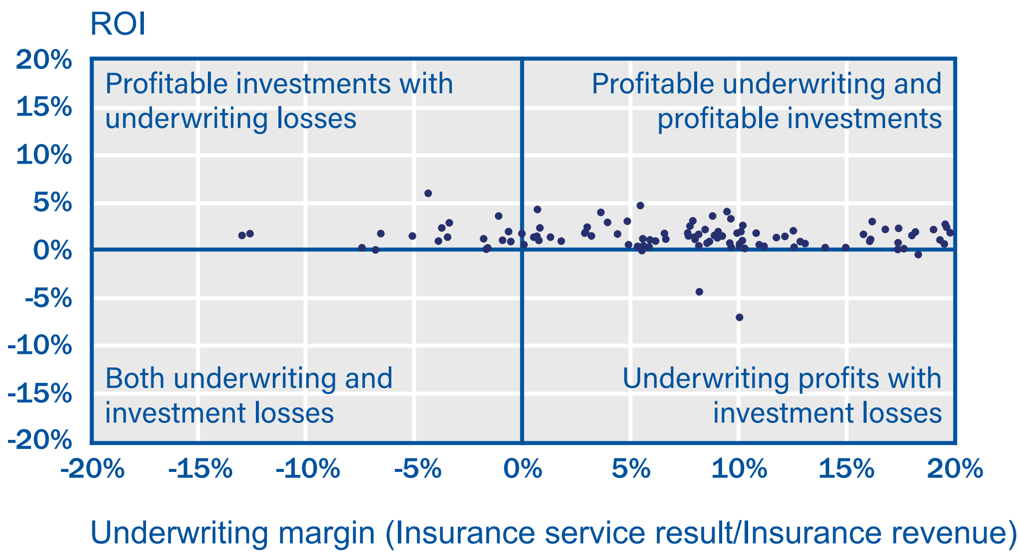
Source: PACICC based on data from MSA Research

Through the first nine months of 2023, the annualized ROE for Canada's P&C industry has fallen to 11.5 percent. This result is very much in line with the industry's pre-IFRS 17 long-run average ROE. Between 1975 and 2022, Canada's P&C insurance industry reported an average ROE of 10.5 percent. Through the first three quarters of 2023, this is shaping up to be an "average" year (at best) for Canada's P&C insurers.

Most turbulent economy since the 1930s

The decline in overall industry profitability comes as Canada, as a country, weathers major economic uncertainty – higher inflation, materially lower productivity rates than the United States, as well as increased geopolitical risk. The global economy is riskier than it has been since the 1930s. Canada's P&C insurers are not immune to this uncertainty. In 2022, the investment results of Canada's P&C insurers hit an all-time low, as the industry's bond portfolios were negatively impacted by the sudden and very steep increase in interest rates. Thankfully, this trend reversed in 2023, as interest rates stabilized, and Canada's P&C insurers are now back to reporting normal levels of positive net investment results. Over the first nine months of 2023, P&C insurers reported a return on investment of 2.7 percent. By contrast, over the same period in 2022, the industry's return on investment was -2.2 percent. This represents a $1.8 billion swing in industry profitability. Interest rates are currently expected to begin to decline in 2024 and PACICC Members will need to manage the next swing in interest rates with care.

Chart 2: Sources of insurer profitability



Source: PACICC based on data from MSA Research

Insurance underwriting more difficult

Industry profits declined in 2023 even as investment returned to profitability. That means that the underwriting business of P&C insurers became much more difficult. A positive development in the new IFRS 17 reporting environment is that insurers break down Insurance Service Results for each line of business. We can thus see that there are significant differences in underwriting results both by insurer and by type of coverage.

In general, insurers that focused on Commercial lines are producing better underwriting results through three quarters of 2023. Some 83.8 percent of insurers that competed in the Commercial Property insurance marketplace reported positive Insurance Service Results (ISR). Offering capacity in this space is helping to grow the capital base for these insurers. Most insurers (80.6 percent) that provide Commercial Liability insurance coverage are also reporting positive NISR and are growing their capital base.

Percentage of PACICC Members reporting positive Insurance Service Results, by line – First nine months of 2023

	Personal Property	Commercial Property	Commercial Liability	Auto
Profitable	61.0%	83.6%	80.6%	69.9%
Not Profitable	39.0%	16.2%	19.4%	10.1%

Source: MSA Research

Personal lines tell a different story in 2023. The Auto insurance market is noticeably more difficult, with just 69.9 percent of insurers that provide Auto insurance reporting that this line of business is profitable and contributing to the growth in capital. Personal Property coverage is the largest source of concern for underwriters. The overall NISR in this line of business was 111.6 percent, meaning that homeowner's insurance was an overall drain on the capital base of Canada's P&C insurers through the first nine months of 2023. In fact, 39 percent of Member Insurers reported negative Insurance Service Result in this line. This is, in large part, due to natural catastrophe losses which have already exceeded $3 billion in 2023 (according to CatIQ).

Assessing PACICC's Preparedness

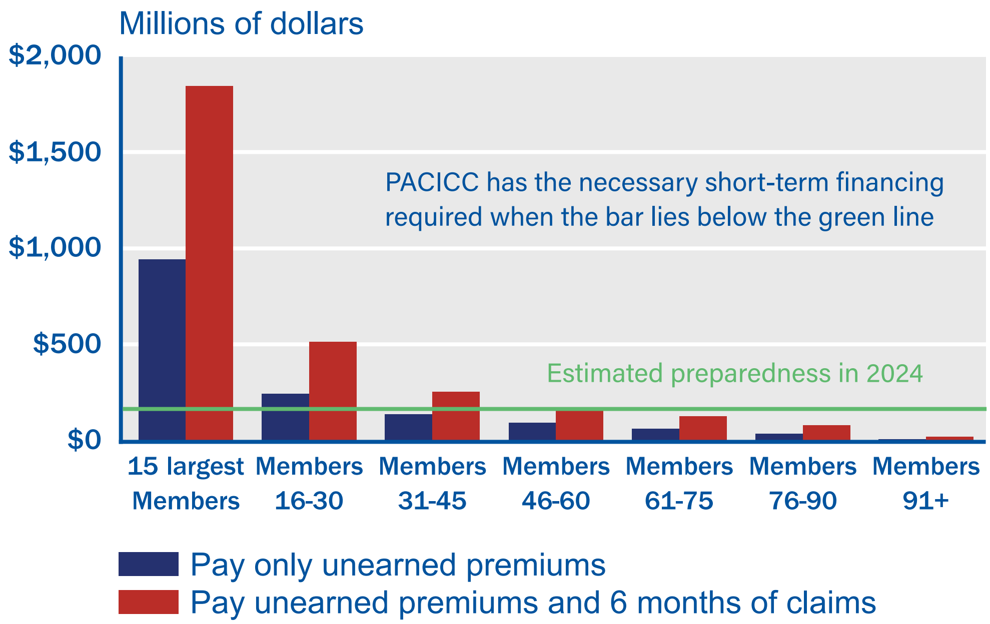
Unencumbered assessment capacity

All Member Insurers that were previously put into wind-up by their regulator (and required PACICC involvement to assess the remaining insurers) have now been resolved. There are no outstanding or unresolved claims. PACICC's assessment capacity is currently unencumbered. PACICC estimates that in 2024, the total annual assessment capacity available to protect policyholders is $1.27 billion.

Addressing short-term financing requirements makes PACICC better prepared

To cover the critical short-term period between the announcement of an insolvency and the collection of a General Assessment, PACICC has two available sources of liquidity. First is our Compensation Fund which, as of December 2023, had $59.6 million in invested assets that the Corporation should be able to access within 48 hours. Early in 2023, PACICC increased its financial capacity via a $250M standby line of credit (LOC) facility supported by a syndicate of Canada's big-six banks. With the introduction of the LOC, PACICC can now rapidly access the funds required to reimburse unearned premiums in the unlikely event of a Member Insolvency…at all but the 17-largest PACICC Members. PACICC now also has the financial capacity to reimburse unearned premiums and pay up to six months of expected claims for 135 of PACICC's 169 Member Insurers. Now that the adequacy of short-term liquidity capacity has been successfully addressed, we are turning our attention to the most effective means of securing medium- or long-term capacity, perhaps through debt financing as has recently been done by insurance guarantee associations in two U.S. states.

Chart 3: How much money would PACICC need to resolve a Member Insurer?



Source: PACICC based on data from MSA Research

Looking ahead

We are pleased to report that most PACICC Member Insurers currently have a healthy capital base supporting their operations. While significant variations in profitability and capital strength exist among companies, industry-wide measures show that the great majority of Canada's P&C insurers are well capitalized and more than adequately prepared to face a challenging future.

Enterprise Risk Management

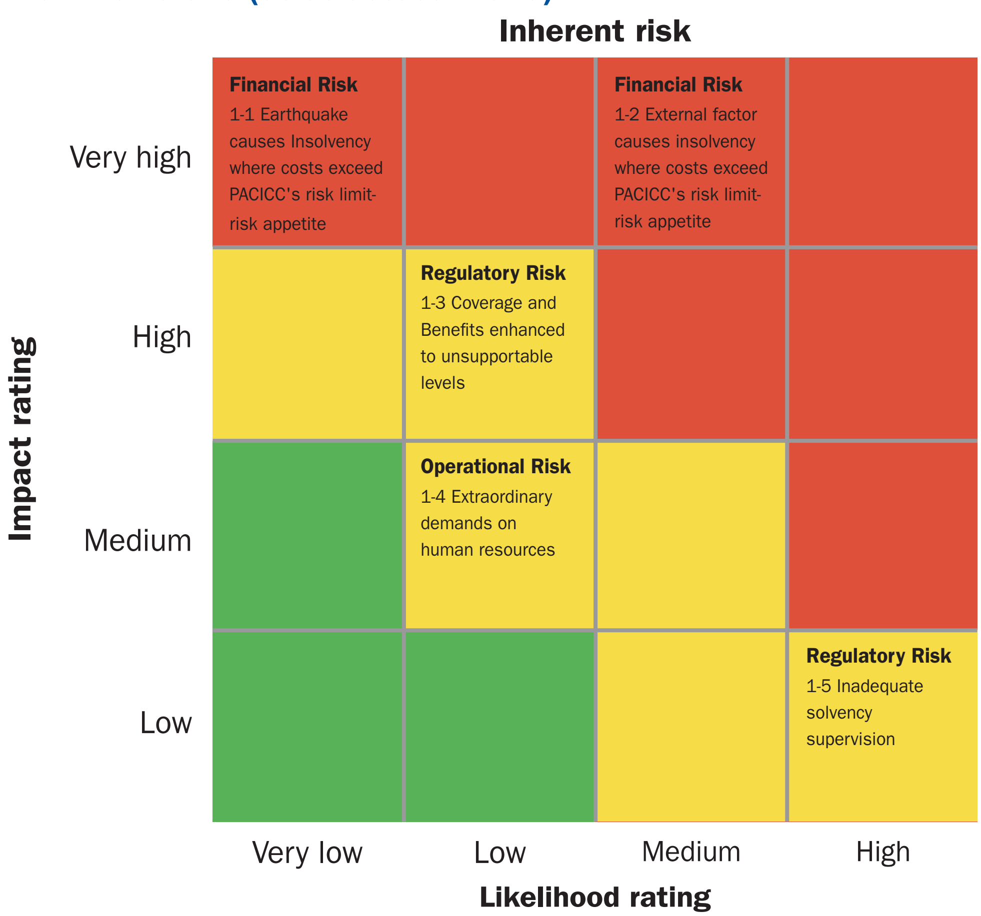
PACICC's Risk Management Report focuses narrowly on those risks that would cause the Corporation to fail to deliver on its three-part Mission:

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 2023)



There are two risks which PACICC considers to be severe enough to prevent the Corporation from fulfilling its obligations to policyholders, should they 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 factor (e.g. cyber attack, wildfire, flood, geopolitical risk) 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 $2.54 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 in insolvency costs which exceed PACICC's risk limit-risk appetite (twice our annual General Assessment capacity)

1-2 Financial Risk

A major external factor (e.g. cyber attack, wildfire, flood, geopolitical risk) causes a very large insurer to fail, or leads to multiple, smaller insolvencies; resulting in insolvency costs which 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.

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

Risk Officer's Forum Mandate:

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

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

2023 Event Dates and Discussion Topics

Forum Meetings:

• March 30	OSFI Update on Current Industry Issues
	Operational Challenges of Dealing with Inflation
	The 2023 Reinsurance Environment – A New Equilibrium?
• September 21	Effective Risk Management Practices
	AI and its Impact/Implications for the Financial/P&C Insurance Sector
	PACICC 2023 Benchmark ERM Survey Results
• November 30	Global/Multinational Supply Chain Issues
	Preparing Boards to Oversee Risk
	When, Where and How Often Insurers Fail (Global Failed Insurer Catalogue)

Emerging Risks Webinars:

• February 24	A Conversation with Insurers Regarding Risk Identification and Risk Assessment
• May 19	Climate Change and Adaptation
• October 27	Geopolitical Risk – Foreign Affairs and National Security

2024 Event Dates and Discussion Topics

Forum Meetings:

• April 4	OSFI Update on Current Industry Issues
	Adapting to a Rapidly Evolving Regulatory Environment
	Peril Stacking/Model Risk
• September 19	CEO Perspective on ERM
	Third-Party Risk; and Fair Treatment of Customers (Government Regulation)
• November 28	CEO Perspective on ERM
	Artificial Intelligence
	Climate Change

Emerging Risks Webinars:

• February 29	A Conversation with Insurers Regarding Risk Identification and Risk Assessment
• May 16	Per- and Polyfluorinated Substances (PFAS)
• October 24	ESG Considerations in Underwriting

KPMG LLP
Chartered Accountants
333 Bay Street, Bay Adelaide Centre
Suite 4600
Toronto, Ontario M5H 2S5

Telephone (416) 777-8500
Fax (416) 777-8818
Internet www.kpmg.ca

INDEPENDENT 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, 2023
- 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 material accounting policy information

(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, 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 IFRS Accounting Standards as issued by the International Accounting

Standards Board, 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 7, 2024
Toronto, Canada

Statement of Financial Position

December 31, 2023, with comparative information for 2022
(In thousands of dollars)

	2023	2022
Assets		
Cash (note 6)	$2,404	$2,203
Short-term investments (note 6)	6,841	6,492
Bonds (note 6)	54,262	53,166
Accrued interest	289	227
Prepaid assets and other receivables	55	47
Deferred financing costs (note 7)	295	–
Property - right-of-use asset (note 11)	242	–
Total assets	**$64,388**	**$62,135**
Liabilities and Equity		
Liabilities:		
Trade and other payables	$336	$183
Finance lease liability (note 11)	275	–
Total liabilities	611	183
Equity:		
Operations surplus	2,372	2,060
Compensation Fund	61,405	59,892
Total equity	63,777	61,952
Total liabilities and equity	**$64,388**	**$62,135**

See accompanying notes to financial statements.

On behalf of the Board:

Glenn Gibson, *Board Chair*

Dave Oakden, *Director*

David J. Oakden

Statement of Comprehensive Income

Year ended December 31, 2023, with comparative information for 2022
(In thousands of dollars)

	2023	2022
Revenue from operations:		
Members assessments (note 9)	$3,185	$1,932
Investment income	156	65
Cost recovery for shared services	32	128
	3,373	2,125
Expenses:		
Personnel costs	1,085	1,011
Research and professional fees	147	233
Premises	4	99
Investment management and service charges	78	79
Board of Directors	166	183
Standby line of credit facility (note 7)	1,049	–
Legal fees (note 12)	110	34
Corporate secretary and accounting services	107	108
Travel	69	55
Telephone and courier	11	16
Furniture and equipment maintenance	88	79
Communications and advertising	27	27
Interest expense - financial lease liability (note 11)	20	2
Amortization of right-of-use asset (note 11)	55	63
Insurance	36	39
Miscellaneous	9	15
	3,061	2,043
Comprehensive income – Operations	312	82
Compensation Fund:		
Net Investment income	1,513	1,214
Comprehensive income – Compensation Fund	1,513	1,214
Net income and comprehensive income	**$1,825**	**$1,296**

All income is attributable to Members.

See accompanying notes to financial statements.

Statement of Changes in Equity

Year ended December 31, 2023, with comparative information for 2022
(In thousands of dollars)

	Retained Earnings	Compensation Fund	Total
Balance, December 31, 2021	$1,978	58,678	60,656
Comprehensive income	82	1,214	1,296
Balance, December 31, 2022	2,060	59,892	61,952
Comprehensive income	312	1,513	1,825
Balance, December 31, 2023	**$ 2,372**	**$61,405**	**$63,777**

See accompanying notes to financial statements.

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022
(In thousands of dollars)

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses:		
Operations	$312	$82
Compensation Fund	1,513	1,214
Amortization of bond premium/discount/impairment	136	(224)
Change in accrued interest	(62)	(43)
Change in prepaid assets other receivables	(250)	46
Change in trade and other payables and provisions	428	(43)
Cash provided by operating activities	2,077	1,032
Financing activities:		
Deferred financing costs	(295)	–
Cash used in financing activities	(295)	–
Investing activities:		
Maturity of investments	14,797	14,291
Purchase of investments	(16,029)	(15,103)
Unrealized (gains)/losses on short term investment	(349)	(132)
Cash used in investing activities	(1,581)	(944)
Increase in cash	201	88
Cash, beginning of year	2,203	2,115
Cash, end of year	**$2,404**	**$2,203**

See accompanying notes to financial statements.

Notes to Financial statements

(Tabular amounts in thousands of dollars)
Year ended December 31, 2023

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, 2023 include the funds of the Corporation. (see note 1(b))

1. Basis of preparation:

(a) Statement of compliance:

The financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

The financial statements for the year ended December 31, 2023 have been approved for issue by the Board of Directors on March 7, 2024.

(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. Material 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. Material 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 15(a), the Corporation invests in investment grade securities and these are externally rated.

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

(iii) 12-month expected credit losses:

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

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

(iv) Financial liabilities:

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

2. Material 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) Deferred financing costs:

On February 17, 2023, PACICC entered into a 2-year agreement to establish a $250M Revolving Line of Credit (LoC) facility.

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 efficiently respond to resolution and/or insolvency scenarios.

Initial setup costs for LoC have been amortized over the two year term of the facility. (see note 7)

(e) Leases:

In 2022, the Corporation entered into new 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.

2. Material accounting policies (continued):

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 at the amortized cost using the effective interest rate method. Leases under the standard require the re-measurement 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 re-measurement, if there are any, as an adjustment to the ROU.

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

(f) 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.

(g) Revenue recognition:

(i) Member assessments:

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

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

The Corporation also adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 2 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

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. The balance of this Fund is zero at year end.

(Tabular amounts in thousands of dollars)
Year ended December 31, 2023

5. Operating, Compensation and Liquidation Fund information:

(a) Statement of financial position as at December 31, 2023:

Assets	Operations	Compensation	Total
Cash	$2,379	$25	$2,404
Investments	–	61,103	61,103
Accrued interest	12	277	289
Prepaid assets and other receivables	55	–	55
Deferred financing costs	295	–	295
Property - right-of-use asset	242	–	242
Total assets	**$2,983**	**$61,405**	**$64,388**
Liabilities and Equity			
Liabilities:			
Trade and other payables	$336	$ –	$336
Financial lease liability	275	–	275
Total liabilities	611	–	611
Equity:			
Retained Earnings	2,372	–	2,372
Compensation Fund	–	61,405	61,405
Total equity	2,372	61,405	63,777
Total liabilities and equity	**$2,983**	**$61,405**	**$64,388**

6. Financial instruments:

(a) Carrying values and fair values:

	2023		2022	
	Carrying value	Fair value	Carrying value	Fair value
Cash	$2,404	$2,404	$2,203	$2,203
Short-term investments	6,841	6,841	6,492	6,492
Bonds	54,262	53,688	53,166	51,127
	$63,507	**$62,933**	**$61,861**	**$59,822**

Cash and bonds are recorded at amortized cost. Short-term investments are recorded at FVT-PL. The 12-month expected credit loss recognized is $220,337 (2022 - $62,940).

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

As noted in the accounting policy, the Corporation uses the exception permitted in IFRS 9 in relation to recognizing 12-month expected credit loss for its financial assets as they are deemed to be low credit risk. Please refer to note 15(a).

(b) Short-term investments:
These investments have an aggregate carrying value of approximately $6,840,896 (2022 - $6,491,644). 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.

(Tabular amounts in thousands of dollars)
Year ended December 31, 2023

6. Financial instruments (continued)

(c) Bonds:

	Remaining term to maturity			December 31, 2023		December 31, 2022	
	Within 1 year	1 to 5 years	Over 5 years	Total carrying amount	Effective rates	Total carrying amount	Effective rates
Government	$2,432	$34,641	$ –	$37,073	0.25% - 3.60%	$37,451	0.35% - 3.63%
Corporate	4,116	13,073	–	17,189	1.39% - 5.68%	15,715	1.20% - 5.39%
	$6,548	**$47,714**	**$ –**	**$54,262**	**0.25% - 5.68%**	**$53,166**	**0.35% - 5.39%**

7. Standby line of credit facility:

Cost	Total	Expensed	Deferred
Initial setup costs	$531	$236	$295
Recurring costs	813	813	–
Total	**$1,344**	**$1,049**	**$295**

8. Transactions with Insurance Bureau of Canada (‘IBC’):

During 2023, PACICC reimbursed IBC for Finance and Legal servicing fees of $107,350 (2022 - $107,927) reflected in Corporate secretary and accounting services expenses.

9. Assessment revenue:

Administrative assessment was increased in 2023 primarily to cover the costs of the standby line of credit facility.

10. Assessment capacity:

PACICC has the ability to make a maximum potential annual general assessment of members of 1.5% (2022 - 1.5%) of covered premiums written, which amounts to approximately $1.27 billion in 2023 (2022 - $1.16 billion).

11. Property - right-of-use asset:

On November 22, 2022, PACICC entered into a new lease for 80 Richmond Street West, effective January 1, 2023, with a duration of 5 years. The lease has resulted in a right-of-use asset of $297 (2022 - $nil).

Cost	
January 1, 2023 - recognition of right-of-use asset	$ –
Additions	297
Disposals	–
December 31, 2023	$297
Accumulated amortization	
January 1, 2023 - accumulated amortization	$–
Amorization	55
Disposals	–
December 31, 2023	$55
Net book value	
December 31, 2022	**$ –**
December 31, 2023	**$242**

(Tabular amounts in thousands of dollars)
Year ended December 31, 2023

11. Property - right-of-use asset (continued):

Leases:

Amounts recognized in statement of comprehensive income:

	2023	2022
Amortization of property - right-of-use asset	$55	$63
Interest on financial liability	20	2

The weighted average incremental borrowing rate applied to lease liabilities is 6.7%. The following table presents the contractual maturities of the Corporation's undiscounted lease liabilities at December 31, 2023:

	2023	2022
One year or less	$72	$–
One to five years	246	–
Total undiscounted lease liabilities	318	–
Discounted adjustment	(43)	–
Lease liabilities	**$275**	**$ –**

12. Legal Expenses:

Legal expenses paid during the year includes following categories:

	2023	2022
Operating	$30	$34
Projects	80	–
Legal Expenses	**$110**	**$34**

13. Commitments and contingencies:

(a) Legal:

In the normal course of business, the Corporation may be involved in various legal claims and other matters, the outcome of which is not presently determinable. In management's opinion, the resolution of any such matters would not have a material adverse effect on the financial condition of the Corporation.

(b) Lease:

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.

14. Fair value disclosure:

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

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

14. 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:

	2023	2022
Level 1	$ –	$ –
Level 2	53,688	51,127
Level 3	–	–
	$53,688	**$51,127**

15. Financial risk management:

(a) Credit risk:

Generally, the Corporation's investment policy is to be as conservative as possible so as to protect its capital against undue financial and market risk while having ready access to the funds and increasing the value of the funds. The investments will be a mix of high quality fixed income securities and cash equivalent instruments. The funds cannot be invested in equities. The policy also includes composition limits, issuer type limits, quality limits, single issuer limits, corporate sector limits and time limits.

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

	2023		2022	
Credit rating	Carrying value	Percentage of portfolio	Carrying value	Percentage of portfolio
AAA	$29,919	55.1%	$32,704	61.5%
AA	17,574	32.4%	12,152	22.9%
A	2,033	3.7%	4,445	8.3%
BBB	4,737	8.7%	3,865	7.3%
Total	**$54,262**	**100%**	**$53,166**	**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, 2023, 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 $1,549,975 (2022 - $1,197,064).

(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, 2023

15. 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% (2022 - 1.5%) of covered premiums written, which amounts to approximately $1.27 billion in 2023 (2022 - $1.16 billion).

16. Remuneration:

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

	2023	2022
Directors' fees	$166	$183
Salaries	876	822
Other benefits	107	92
	$1,148	**$1,097**

2023/24 Board

Glenn Gibson
Chair
President and CEO
The GTG Group

Anne-Marie Beaudoin
Consultant

Alister Campbell
President and CEO
PACICC

Frédéric Cotnoir
Executive Vice President & Chief Legal Officer and Secretary
Intact Financial Corporation

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

Tracy Garrad
President and CEO
Aviva Canada Inc.

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

Timothy Hodgson
Consultant

Penny Lee
Consultant

Marc Lipman
Deputy Regional Director, Americas, President, Lloyd's Canada Inc. and Attorney-in-Fact for Lloyd's Underwriters
Lloyd's Underwriters

David MacNaughton
President
Palantir Canada

Heather Masterson
President and CEO
Travelers Canada

Dave Oakden
Consultant

Andy Taylor
President and CEO
Gore Mutual Insurance Company

Silvy Wright
President and CEO
Northbridge Financial Corporation

Board Committees

Audit and Risk

Dave Oakden (Chair)
Tracy Garrad
Lisa Guglietti
Penny Lee
Heather Masterson
Andy Taylor
Silvy Wright

Governance and Human Resources

Glenn Gibson (Chair)
Anne-Marie Beaudoin
Frédéric Cotnoir
Christian Fournier
Marc Lipman
Dave Oakden

Pre-Insolvency Regulatory Liaison

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

***Retired from the PACICC Board in 2023.**

Brian Esau (*President and CEO, Red River Mutual Insurance Company*)

Lynn Oldfield (*President and CEO, AIG Insurance Company of Canada*)

Jason Storah (*CEO, Aviva Canada Inc.*)

Mark Tullis (*Vice Chair, Intact Financial Corporation*)

2023/2024 Staff

Full-time staff

Alister Campbell
President and Chief Executive Officer

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
Counsel and Corporate Secretary

Mojdeh Kiani
Controller, Finance

Zhe (Judy) Peng
Research Associate

Address
80 Richmond Street West
Suite 607
Toronto, Ontario M5H 2A4
Phone (416) 364-8677
www.pacicc.ca

Provincial regulators

British Columbia
Blair Morrison
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
Chris Merriman
Acting Assistant Deputy Minister of Financial Sector Regulation and Policy 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
Tel: (204) 945-2542
www.mbfinancialinstitutions.ca

Ontario
Mark E. White
Chief Executive Officer
Financial Services Regulatory Authority of Ontario
5160 Yonge Street, 17th Floor
Box 85
Toronto, Ontario M2N 6L9
Tel: (416) 250-7250
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
Jennifer Calder
Deputy Superintendent of Insurance
Nova Scotia Department of Finance and Treasury Board, Financial Institutions Division
Office of the Superintendent of Insurance
P.O. Box 2271
Halifax, Nova Scotia B3J 3C8
Tel: (902) 424-7552
www.novascotia.ca

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

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

Newfoundland and Labrador
Jean Bishop
Superintendent of Insurance
Financial Services Regulation Division Service NL
Government of Newfoundland and Labrador
Confederation Building, 2nd Floor,
West Block, P.O. Box 8700
St. John's, Newfoundland A1B 4J6
Tel: (709) 729-4909
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
John McGovern
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
Pierre Mani
Superintendent of Insurance
Department of Finance
Government of Nunavut
P.O. Box 2260
Iqaluit, Nunavut X0A 0H0
Tel: (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

Accelerant Insurance Company of Canada	Accelerant Compagnie d'Assurance du Canada
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
Europ Assistance S.A.	Europ Assistance S.A.
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
GPIC Insurance Company	Compagnie d'assurance GPIC
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
Markel International Insurance Company) Limited (Canada Branch	Markel compagnie d'assurance internationale limitée (succursale canadienne)
MAX Insurance	MAX Insurance
Mennonite Mutual Insurance Company (Alberta) Ltd.	Mennonite Mutual Insurance Company (Alberta) Ltd.
Millennium Insurance Corporation	La Corporation d'assurance Millenium
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’)
Optimum Insurance Company Inc.	Optimum Société d’Assurance Inc.
Optimum West Insurance Company	Optimum West Insurance Company
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)
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
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