Solvency Matters

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

PACICC

Issue 11 - September 2020 Insolvency protection for home, automobile and business insurance customers

From the Desk of the President (Alister Campbell)

The Time to Talk About Tail Risk is Now!

The topic of “tail risk” and the Canadian property & casualty insurance sector will be familiar to the many avid readers of *Solvency Matters*, and of course to all of the Member Insurers of PACICC.

...Continued on Page 1.

PACICC Priorities

Priority Issue for 2019

Coverage and Benefits Review – Follow-up Items

Work is continuing to bring closure to the three remaining Coverage and Benefits action items approved earlier by PACICC’s Board of Directors.

...Continued on Page 3.

Emerging Issues (Dana Chaput)

How IFRS 17 will impact solvency

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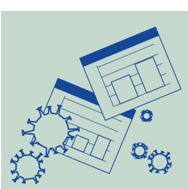
...Continued on Page 6.



Industry Analysis (Grant Kelly)

2020 is proving to be a challenging year for Canada’s property and casualty (P&C) insurers. The combined impact of the first quarter oil shock, wild swings in investment markets, COVID-19 claim payments and rebates of premiums in Auto markets has clearly impacted the profitability of the industry.

...Continued on Page 8.

Risk Officer’s Forum (Ian Campbell)

Upcoming Risk Officer’s Forum meetings and webinars

Next Emerging Risks Webinar – Wednesday, October 21

Speaker: Frank Chong, Vice President and Deputy Superintendent, Regulation B.C. Financial Services Authority

...Continued on Page 10.

Industry Events
(subject to confirmation)

October 14
Cat IQ Connect

October 21
PACICC Emerging Risks Webinar - Government Regulation

November 6
OSFI Risk Management Webcast for Property and Casualty Insurers

November 6
PACICC Risk Officer’s Forum Meeting

From the Desk of the President

The Time to Talk About Tail Risk is Now! - by Alister Campbell

The topic of “tail risk” and the Canadian Property & Casualty insurance sector will be familiar to the many avid readers of *Solvency Matters*, and of course to all of the Member Insurers of PACICC. We have worked diligently over the last decade to raise awareness among regulators and politicians, at the provincial and federal levels, regarding the significant risk of a systemic failure of our industry, if and when Canada is struck by a major earthquake. It is a sobering and troubling reality that Canada remains the largest developed economy in the world with a large exposure to earthquake…and without a government mechanism to backstop the insurance sector and allow us to properly protect our country’s citizens, when that inevitable event occurs.

The recent COVID-19 global pandemic has tested the capacity and capabilities of governments worldwide to respond to extraordinary health care challenges, and at the same time manage and mitigate the devastating economic impacts of the “lockdown” measures required to “flatten the curve.” In retrospect, governments of all stripes and in all parts of the world, will be forced to reflect on how they could have prepared better for such a low-probability, high-impact scenario. If any good is to come from this awful series of events, it is to be hoped that governments and societies would learn (again) about the benefits of building better contingency plans. I believe that the COVID-19 pandemic powerfully illustrates to government the compelling benefits of having an “in-case-of-emergency-break-glass” plan – prepared in advance – for “tail-risk” events.

Insurance leaders in the U.K. and the U.S. have recently published thoughtful and useful proposals for creating public/private pandemic pools, or other quota-sharing arrangements, structured to help mitigate the challenges of “Phase 2” of the current pandemic, and better respond to the next such virus. In the U.K., they are (at least in part) modelled on the work already done there with “Pool Re” and “Flood Re”, which have been put in place to address tail events such as terror attacks, nuclear accident or severe flooding. In the U.S., the starting point has been learnings from the TRIA model, built in response to the terrible events of 9/11.

In Canada however, with the exception of the decades-old nuclear pool, we have neglected to build out risk-transfer models to address the obvious tail risks we face, and so the work we now need to do to is multi-faceted. Our industry needs to help government think through the options and select the best possible solutions to address pandemic risk. But at the same time, we must use this rare opportunity to see if we can also tackle some of the other longstanding, but as of yet unaddressed, tail-risk events that we also know are inevitabilities in our large and geographically diverse nation – quake, wildfire and flood.

“…the COVID-19 pandemic powerfully illustrates to government the compelling benefits of having an ‘in-case-of-emergency-break-glass’ plan – prepared in advance – for ‘tail-risk’ events.”

The biggest challenge to achieving this broad objective is the very different underlying insurance problems represented by these very different exposures. The core principle of insurance is “pooling of risk”, and it is well expressed by the old saying – “the claims of the few…paid for by the premiums of the many.” This is precisely why pandemic was, broadly speaking, excluded from insurance policies offered by our industry in Canada and worldwide. It is impossible to diversify risk, either by time or by geography – a global pandemic strikes everyone, everywhere and at the same time. So, if “pandemic pools” are to be constructed, the insurance industry can offer distribution and claims management capabilities, but is not likely to be in a position to offer material amounts of risk capital – in the end, the loss must largely be borne by government. Over time of course, modest “tail-risk” premiums can be collected and invested and, should there be a sufficiently long span of time without major events, a substantial pool can be accumulated (the California Earthquake Authority would be a good example of this). But, such pools will never be adequate to make up for the economic losses of shutting down entire developed economies for months on end.

The situation with earthquake (or wildfire or flood in lower-risk zones, for that matter) is very different. The industry stands ready to respond to massive events without any need for recourse to government at all. Premiums are paid by personal and commercial property owners for insurance to cover this risk. Certainly, there are issues around product design (notably “quake deductibles” and exclusions for tsunami and liquefaction) which make the product sold in B.C. weaker than desirable. And, of course, much work remains to be done to increase policyholder take-up for quake coverage in Quebec. But, unlike pandemic, quake risk is diversifiable globally (the earth is very unlikely to shake at multiple spots simultaneously or burn everywhere at once). So, we can price, select and underwrite for quake, flood or fire…and pay the claims when they happen. The Fort McMurray wildfire well demonstrates how comprehensively and successfully our industry can respond in such cases.

Also, unlike pandemic, we know that our industry could withstand a massive event where coverage is offered. It is generally believed that we could withstand a modelled 1-in-500-year quake event in B.C. or in the Montreal/Ottawa corridor – likely without a single insurer failure. And, if there was such a failure, PACICC could and would respond effectively. But, there remains the simple reality that for an earthquake event above a certain modelled risk level, the industry would see its capital and reinsurance capacity exhausted. And above that level, the design of the PACICC backstop would prove to be problematic. In 2016, PACICC modelled that threshold as being around $35B of insured losses, above which point the industry would face collapse – thus the compelling argument for a federal backstop. But, the type of government support required is entirely different than in the case of pandemic. In a pandemic, the insurance sector can offer only a very thin primary layer before having to have the risk transferred to government. By contrast, in the case of quake, the industry stands ready to absorb losses a long way “up the tower.” All the industry seeks is a “Cat layer” at the very top of that loss tower. And we seek a layer of protection that would be repaid over time, after Canadians have their claims paid and our industry has helped Canada to rebuild from the earthquake’s devastation.

The challenge of flooding in higher-risk zones represents a different insurance problem again. Much of Canada is built on rock, and there is proportionately less flood risk as a result (a contrast with our U.S. neighbours to the south). Modelling now indicates that modest premiums can offset the potential losses for perhaps 80% of Canadian insureds. But, we are seeing increasingly high concentrations of water falling on increasingly urbanized (and paved) locations, where the water then drains into inadequately maintained municipal sewer and watermain systems, and then backs up into what didn’t used to be finished basements. And of course, there has been development in areas that are now proving to be prone to repeat flooding events.

Commercial coverage has been available for some time, and personal insurance coverage is also now largely available to most consumers. But, consumers in “higher-risk areas” face problems of both affordability and availability. This type of insurance problem is best addressed via some form of subsidization mechanism (think Facility Association for the automobile insurance equivalent), but this problem also needs a firm government hand to ensure that subsidization does not encourage riskier behaviour (e.g. more building in known flood zones). The ultimate solution also requires government action to enforce requirements around “strategic retreat” and to invest public funds in mechanisms to support retro-fit and significantly enhance infrastructure in flood-prone zones.

I hope the commentary above serves to illustrate the diversity of the problems represented by these diverse forms of “tail-risk” events. I think it also indicates that we are unlikely to find a single mechanism designed to solve all of these risk-transfer issues at once. But, if nothing else, the COVID-19 pandemic has forced a larger conversation around tail events. It is a conversation that we need to have now and one where the voice of our industry will be particularly valuable. Working together to develop workable solutions to the tail risks to which Canada is most exposed is in the urgent national interest.

Thanks for reading…and stay safe everyone!

PACICC Alister Campbell is President and Chief Executive Officer at PACICC

Priority Issues: 2020 to 2022

Priority Issue for 2019

Coverage and Benefits Review – Follow-up Items

Work is continuing to bring closure to the three remaining Coverage and Benefits action items approved earlier by PACICC's Board of Directors.

1. **Hardship Policy** – When first conceived by the industry, PACICC and its Board of Directors were given the authority to settle claims above defined benefit limits in special cases of "hardship." While the vast majority of policyholder claims paid over the years by PACICC have been successfully resolved within established limits, to the satisfaction of policyholders and other stakeholders, there have been some instances where PACICC's Board has considered such "hardship" cases and in a subset of such cases, has made payment of claims beyond the established limits. The Board will consider a documented policy that will seek to ensure the timely and orderly processing of – and fair and measured treatment of – any future hardship claims requests received.

2. **Aggregate Reinsurance** – Earlier this year, a Request for Proposals was issued to identify a reinsurance broker to assist PACICC in developing options for aggregate reinsurance cover in the case of a single-company, natural catastrophe-triggered insolvency. PACICC selected Guy Carpenter to assist with this work. The two parties have been working on a series of options that will be considered by the PACICC Board in November. The reinsurance coverage being contemplated would be triggered only by a natural catastrophe, apply only to valid loss claims in excess of specific PACICC coverage limits, and be capped with a specific annual aggregate coverage dollar limit.

3. **Auto Accident Benefit Claims** – PACICC is continuing to assist the Insurance Bureau of Canada in encouraging provincial policymakers to move payment of auto accident benefit claims to the Uninsured Motorist Compensation Funds in Alberta, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador, consistent with the approach established in Ontario. Auto Accident Benefits claims represent the largest single component of insurer claims reserves (and thus unpaid claims) in the Canadian P&C industry. Reducing the amount that PACICC must assess for unpaid claims would significantly increase the capacity of Canada's P&C insurance industry to handle a catastrophic earthquake. This is a longer-term issue that will take time to resolve. It will be an information item for the Board in November.

"Permanent Priority" Issue

Mitigating Systemic Risk from Quake

PACICC continues to work with IBC to resolve the largest single risk facing PACICC and the Canadian P&C industry – systemic contagion caused by a large earthquake. At its Spring 2020 meeting, the PACICC Board endorsed a draft Action Plan ("Mitigating Systemic Risk") that proposes two broad initiatives intended to address both potential trigger events. Actions being taken by PACICC appear under each heading below.

1. **Development of an industry-consensus proposal regarding a Government mechanism to protect consumers from industry failure caused by a major earthquake**
   - Assisting IBC in developing a proposal to present to Finance Canada
   - Leading an industry working group to investigate if the current assessment mechanism could be altered to reduce its adverse impact on Members
   - Developing materials to assist IBC in an effort to change the treatment of auto accident benefit claims in Alberta and Atlantic Canada, to align with the Ontario model.

2. **Investigation of incremental changes to PACICC's governance model to mitigate contagion risk.**
   - Reviewing PACICC's governance model to make the industry proposal more appealing to Government
   - Requesting that PACICC be formally recognized as a compensation association under the Federal *Insurance Companies Act.*
   - Reviewing the appropriate size of PACICC's Compensation Fund to reduce the impact of post-event assessments
   - Expanding PACICC's resolution "toolkit" to include options in addition to liquidation.

The Action Plan will be revisited annually until a Federal backstop mechanism is secured and is in place.

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

When PACICC was established back in 1989, it was given broad authority to carry out a challenging policyholder protection mandate. Powers included permission to use many of the tools of a "resolution authority" – meaning, among other things, that PACICC could engage with regulators and a distressed insurer in advance of insolvency, in an effort to avert failure. Our founding By-Law includes the specific authority to disperse industry funds to facilitate transactions involving some or all of the assets of a distressed Member Insurer, and permits the utilization of reinsurance to potentially avert, or at least mitigate, the consequences of failure. While these particular powers have not been exercised to date, the evolving structure of our industry suggests that they might be more useful and appropriate in future. Our Priority Issue for 2020 is to enhance the Corporation's resolution "toolkit" to prepare for such an eventuality.

Evolution of PACICC's governance model in recent years has led to the creation of a Board Committee composed exclusively of its Independent Board members (known as the Pre-Insolvency Regulatory Liaison (or PIRL) Committee), to work more closely with prudential supervisory authorities. This change enabled OSFI, the AMF and BCFSA to publish Intervention Guides (for the "staging" of distressed insurers) that specifically allow for an engagement with PACICC (via the "PIRL" Committee) – well before an insolvency. This newfound "runway" has given PACICC the all-important element of time – to explore options and develop alternatives to simple liquidation. Expanding PACICC's resolution "toolkit" beyond compensation after liquidation would help to reduce systemic risk in Canada's P&C insurance industry.

PACICC recently issued a Consultation Paper to all Member Insurers seeking their input on how it could best use its resolution powers in future. PACICC has identified critical areas where industry guidance is particularly welcome, including:

- How should PACICC respond to a range of different, remote but credible scenarios?
- What resolution tools/options might best suit these scenarios?
- What are the implications for our governance model and what, if any, changes might be required?
- What are the criteria by which the various options and alternatives should be evaluated by the PACICC Board?

The Consultation Paper provides Member Insurers with a series of draft criteria designed to help guide PACICC Board deliberations in scenarios where the prospect of intervening prior to liquidation is being contemplated. The Consultation Paper contains three specific scenarios and outlines corresponding potential actions that PACICC might take. It provides technical guidance to ensure that Members can provide their views, fully informed of the facts. It also seeks detailed Member input through a series of specific questions.

Member feedback from the Consultation Paper will help to shape "toolkit" recommendations that will be submitted to the PACICC Board for consideration in November.

Priority Issue – 2021
Contingency Planning and Desktop Simulations

Once we have completed work on our 2020 Priority Issue and have built out a more comprehensive resolution "toolkit", attention will turn to Contingency Planning – to reflect scenarios other than insolvency. PACICC will be developing a modernized Contingency Plan to guide Management step-by-step through the resolution process. An associated Communications Plan will be developed, with pre-prepared materials and back-up infrastructure to enhance PACICC's insolvency preparedness. PACICC staff will work closely with the Board's PIRL Committee on this. Further work on this file will help to ensure that we are capable of responding effectively in the event of a larger insolvency.

The best method for testing Contingency Plans is via "desktop" simulations. PACICC is planning a basic simulation with the AMF in early 2021 and will then initiate a series of simulations with OSFI and other provincial regulators. The learnings from these simulations will help to ensure that our Contingency Planning capabilities are robust and our response mechanisms are aligned with key regulatory partners.

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

A key component of PACICC's three-part Mission is to "maintain consumer confidence in Canada's P&C industry." This is consistent with the objectives of all of the other guarantee funds in Canada. Many of these schemes have consumer-facing, branding strategies as part of their effort to maintain and grow consumer confidence in their services. In 2022, PACICC will evaluate if and how it might expand its branding footprint, drawing on best practices both in Canada and abroad.

There are opportunities for PACICC to enhance its stakeholder awareness, particularly given the absence of any recent insolvency. Brokers and agents represent a significant target market for branding initiatives and increased market awareness. A strategic evaluation of PACICC's outreach efforts could help to enhance industry understanding of the value that PACICC brings to the financial services sector.

Emerging Issues

How IFRS 17 will impact solvency - by Dana Chaput

I shouldn't be the first (and likely won't be the last) person to tell you that the Canadian insurance industry is on the cusp of one of the largest accounting changes in recent history. Most Canadian insurers will be adopting International Financial Reporting Standard 17 *Insurance Contracts* (IFRS 17) and IFRS 9 *Financial Instruments* (IFRS 9) for fiscal years beginning on or after January 1, 2023. Implementing two major new accounting standards inevitably presents challenges including installing and testing new or upgraded systems, processes and controls as well as coordinating between functions which may or may not have been well-integrated prior to the changes (e.g. finance, actuarial, information technology, risk management, and investment management).

Slightly more unique to Canada is the challenge presented by IFRS being used for both financial reporting and prudential solvency reporting. While insurers in other jurisdictions may be permitted, but not required or not required to use IFRS financial results as the basis for their regulatory capital calculations, Canadian insurers benefit from alignment between the two. This results in a consistent financial position under both financial reporting and regulatory solvency reporting frameworks, reduced costs from maintaining a single system and chart of accounts to support reporting as well as reduced operational risks associated with multiple systems and reporting processes. That said, as Canadian insurers look to adopt IFRS 17 and 9, they need to consider additional challenges presented by this alignment.

First, without complementary changes in the regulatory reporting framework, financial impacts resulting from the adoption of IFRS 17 are likely to result in capital impacts. While the financial impacts after adoption are expected to be less significant for non-life insurers than for life insurers, they still exist. For example, to the extent that the earnings pattern for the liability for remaining coverage under IFRS 17 differs from the earnings pattern of unearned premiums under IFRS 4, entities can expect to see differences in a contract's contribution to equity (or capital) over time. A similar effect can be expected for onerous contracts, where IFRS 17 requires that losses are recognized as soon as a contract is issued. Financial impacts are expected to be more significant where an insurers contracts do not qualify for the simplified premium allocation approach and need to use IFRS 17's general measurement model.

"That said, as Canadian insurers look to adopt IFRS 17 and 9, they need to consider additional challenges presented by this alignment."

Perhaps the most significant financial (and capital) impact for many insurers, will be the transition adjustment upon adoption of IFRS 17. Full retrospective restatement of claims liabilities will mean equity adjustments resulting from different discount rates being used under IFRS 17, differences in methodologies used to determine the risk adjustment and differences in the recognition and measurement of insurance acquisition cash flows (e.g. commissions).

Another challenge will be dealing with the introduction of key performance indicators (KPIs) at the same time as changes in existing KPIs. Understanding the performance of individual insurance companies and the risks they face is a core objective for prudential regulators and the financial statements provide an important source of standardized data on their operations. Given the changes to the balance sheet and income statement, regulators will now collect and analyze new information on profitability such as insurance service expenses, insurance finance income/expense and contractual service margin (CSM). To the extent that regulators rely on KPIs which are based on premiums information, this will no longer be presented on the face of the financial statements and will not be subject to external audit. Where an entity reports, and regulators rely upon, non-GAAP measures (e.g. unadjusted and adjusted return on equity, combined ratios, etc.) they will need to consider the impact of the adoption of IFRS 17 on historical trend analyses as well as whether the adjustments are still fit-for-purpose.

Both challenges discussed above give rise to a third challenge, the perceived lack of comparability among industry participants. IFRS are principles-based standards requiring the exercise of significant judgement and selection between different accounting policies choices. Each of these decisions could result in non-comparable valuation practices across

Dana Chaput, Partner and Insurance Accounting Change Leader, KPMG

the industry and ultimately impact capital. IFRS 17 attempts to offset this challenge with improved transparency. Financial information will be available at a more granular level and there will be disclosure of significant judgments and assumptions. That said, the range of practice is expected to be substantial and without explicit narrowing by authoritative bodies, industry participants will need to co-operate to achieve comparable results.

Many insurers will be aware of these challenges and are actively working to mitigate these risks by producing pro-forma financial statements and regulatory capital information for analysis by management and presentation to the Board. Regardless of where you are in your implementation plan and whether you've contemplated these challenges and have these activities on your roadmap, I would caution against complacency. If there's one thing I've learned since 2017, it's that IFRS 17 is an onion and you only start to understand the issues and complexities of the next layer as you peel it back.

Industry Analysis - by Grant Kelly

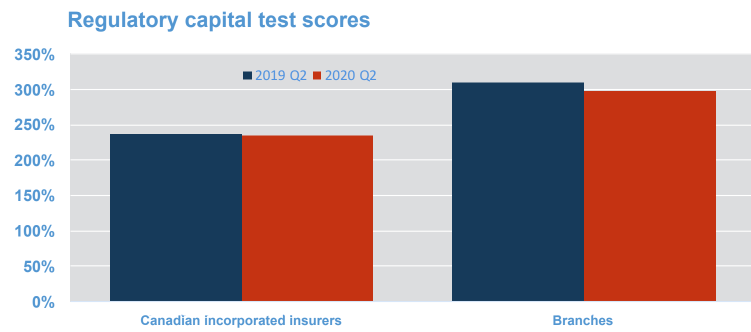
2020 is proving to be a challenging year for Canada's property and casualty (P&C) insurers. The combined impact of the first quarter oil shock, wild swings in investment markets, COVID-19 claim payments and rebates of premiums in Auto markets has clearly impacted the profitability of the industry. However, at least so far, it has not impacted their solvency. The industry's overall MCT score for the first half of 2020 was 234.2%. This means that insurers are holding $2.34 cents in assets for every dollar of liabilities on their balance sheets. This is only marginally different than the 236.9% MCT posted at the end of 2019.

There are significant variations in the solvency situation among the 195 individual companies that comprise Canada's P&C industry and some companies entered 2020 in a stronger financial position than their competitors. One key indicator of the differences in the financial health of individual companies that PACICC monitors is sustained profitability. Insurers that report sustained profitability can manage for the long term. Consistent profits allow these insurers to grow the capital base supporting their business and keep premiums stable for policyholders. In a competitive insurance market, companies introduce new products or enter new markets. It is not uncommon for an insurer to have a bad year and recover. Not every risk pays off. 56 of the 195 insurers that provide data to regulators reported having just one unprofitable year over the past five. Another 28 P&C insurers reported two unprofitable years over the past five. These groupings of insurers includes mutual insurers that do not necessarily strive to maximize profits each year. Over the medium term, these companies have shown themselves to be generally stable and profitable.

75 of the 195 Canadian insurers that publicly disclose their financial results have reported profits every year since 2015. Interestingly, this year is shaping up to be a challenging year even for this strong group of insurers. 19 of the 75 insurers that posted positive profits in each of the past five years are reporting losses through the first six months of 2020.

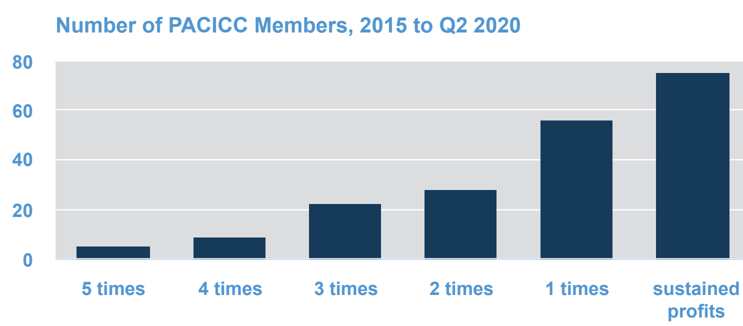
Companies that post consistent losses over the medium term tend to require either additional capital from investors or additional monitoring from Canada's solvency regulators. Four P&C insurers reported negative net income in four of the past five years. Another six Canadian P&C insurers have reported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

P&C Capital scores remain strong



Source: PACICC based on data from MSA Research

Number of times insurer has reported losses over past 5 years



Source: PACICC based on data from MSA Research

Solvency Analysis

- by Grant Kelly

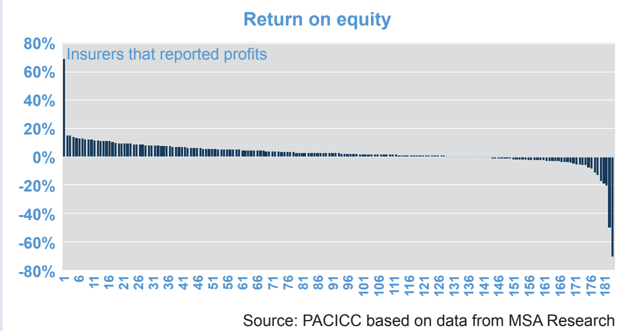
Canada's property and casualty (P&C) insurance industry has survived the first six months of 2020. Collectively, the 195 individual insurers that comprise the industry reported a return on equity of 4.9% in the first six months of 2020. This was slightly higher than the 4.6% reported in the same period of 2019.

The positive results were, in large part, due to lower claims costs in personal lines, as Canadians isolated at home to protect themselves from the COVID-19 pandemic. The national loss ratio for Auto insurance fell from 78.1% in the first six months of 2019 to 74.6% in 2020. The national loss ratio for Personal Property also fell from 63.7% in 2019 to 58.9% in 2020. The improved underwriting results occurred even as most insurers offered some form of premium relief (or rebates) to many Canadians.

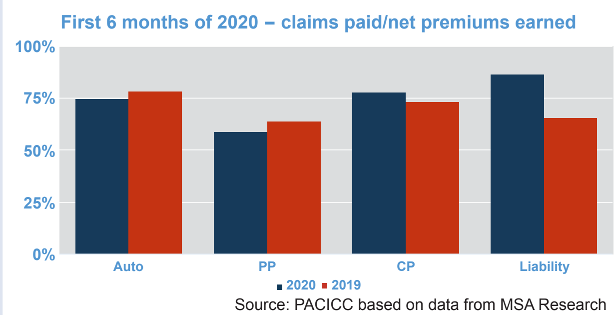
There were increased claims due to the pandemic in commercial lines. The national loss ratio for Commercial Property increased from 73.1% in the first six months of 2019 to 77.9% in 2020. The rise in the loss ratio for liability insurance was even more dramatic. It rose from 65.4% in 2019 to 86.6% in 2020. These loss ratios indicate that these lines of business were, as expected, unprofitable in 2020. The increase in commercial lines claims is reducing the capital base of some insurers.

These differences in results by line of insurance mean that financial results vary dramatically across the 195 insurers that compete in the industry. Two-thirds of PACICC's Member Insurers reported profits in the first half of 2020 despite the challenges. However, one-third (more than 50 Member Insurers) reported losses in the first half of 2020. In most of these cases, the poor results represent temporary bad news. PACICC continues to monitor Member Insurer results for companies that report consistently unprofitable results.

ROE for individual P&C insurers



Loss ratios by line of business



Select Solvency Indicator Ratios

($ millions)	2020	2019
Average Equity	$52,956	$51,002
Return on Equity (ROE)	4.9%	4.6%
Return on Investment (ROI)	2.9%	4.3%
Comprehensive ROE	6.5%	9.2%
Comprehensive ROI	3.7%	6.5%
MCT Ratio (Capital Available/Capital Required)	234.2%	236.9%
BAAT Ratio (Net Assets/Capital Required)	297.3%	309.7%

1st Quarter 2020 Financial Year Results

($ millions)	Q2 2020	Q2 2019	Percentage Change
Direct Premiums Written (DPW)	$34,129	$31,693	7.7%
Net Pemiums Earned (NPE)	$28,229	$24,886	13.4%
Net Claims Incurred	$20,116	$17,364	15.8%
Operating Expenses	$8,805	$8,322	5.8%
Underwriting Income	-$564	-$668	-15.6%
Net Investment Income	$1,666	$2,335	-28.7%
Net Income	$1,303	$1,165	11.8%
Combined Ratio	102.5%	103.2%	
Net Loss Ratio	71.3%	69.8%	

Source: MSA Research as of August 25, 2020.

PACICC Risk Officer's Forum

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

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

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

Officer's Forum Meetings

As a result of the COVID-19 pandemic, these meetings have moved online. The begin with a keynote speaker on a topical industry issue, followed by industry presentations on current ERM issues.

Next Forum Meeting – Friday, November 6

Location:	A Microsoft Teams link will be sent in advance to all confirmed registrants.
Keynote Speaker:	**David MacNaughton**, President, Palantir Canada and Former Canadian Ambassador to the U.S.
Topic:	Risks Facing Canada
Speaker:	**Geoff Shields**, Senior Vice President, Insurance Div., Strategic Resource Consultants Inc.
Topic:	Risk of Talent Shortages in the P&C Insurance Industry
Speaker:	**P&C Industry Panel** (TBA)
Topic:	Review of Agenda Items from OSFI's Annual Risk Management Seminar

Emerging Risks Webinars

Three Emerging Issues Webinars are held each year, connecting Forum members across Canada in a deep-dive discussion on technical aspects of a specific ERM issue. Questions are received in advance to help guide discussion. Copies of all past webinars are available on the PACICC website (www.pacicc.ca).

Next Emerging Risks Webinar – Wednesday, October 21

Speaker:	**Frank Chong**, Vice President and Deputy Superintendent, Regulation B.C. Financial Services Authority
Topic:	*CCIR: Current Issues and Industry Priorities*

A Microsoft Teams link will be sent in advance to all conformed registrants.

Over the past number of few years, when we surveyed Members about emerging risk issues that had caught their interest, many cited "Government Regulation" as a top-five issue. This Webinar provides a platform for CCIR to discuss initiatives in its 2020-2023 CCIR Strategic Plan, including:

- Building upon co-operative supervision, in alignment with international standards to enhance consumer protection;
- Working collaboratively with regulatory partners to grow and leverage national regulatory capacity; and
- Partnering with industry stakeholders to identify opportunities to increase regulatory and supervisory harmonization where feasible and appropriate.

Ian Campbell is Vice President - Operations at PACICC

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

Denika Hall
Editor and graphic design
PACICC

SOLVENCY MATTERS
20 Richmond Street East,Suite 210
Toronto, Ontario, Canada M5C 2R9

Website: www.pacicc.ca
Phone: 416-364-8677
To unsubscribe or for other information
email: dhall@pacicc.ca