SOLVENCY MATTERS

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

Insolvency protection for home, automobile and business insurance customers

Issue 20 - January 2023

From the Desk of the President

Borrowing solutions - by Alister Campbell

Over the past decade now, the team at PACICC has been engaged in an in-depth dialogue with Finance Canada, key players in our industry (including IBC and ICLR) and an array of prudential supervisors at both the federal and provincial levels. The topic? How best to address the systemic contagion risk presented by the potential impact of PACICC Assessments to fund claims after serial insurer failures triggered by a major "tail event" such as a major earthquake. Our view, articulated consistently throughout this period, has been that – above a certain size of event – there is no alternative but for a federal earthquake "backstop mechanism" of some form. Our industry is well managed, capably supervised, with strong capital backing and reinsured to higher levels than anywhere else in the world. But despite these facts, there remains an event threshold above which our industry would simply be overwhelmed. In the most recent update to our Systemic Risk model published in our 2021 "Tipping Point" paper, we defined that threshold to be around $35B in insured losses.

Part of the contagion risk comes from the design of PACICC itself. As an industry-funded compensation program, we protect policyholders of distressed insurer Members via Assessments on all other "surviving" insurers. When we were first conceived, the risk that PACICC would overwhelm the industry by levying huge Assessments (which would render otherwise solvent Member Insurers technically insolvent) was mitigated by placing a cap on the total Assessment that we can levy in any one year. That cap was set at 1.5% of Direct Written Premium, which means that our current upper limit is roughly $1.07B. But we have the authority to make additional Assessments of the same amount, for as many years as are required, to fully fund compensation of eligible policyholders. To further mitigate contagion risk, our Board has taken the additional step of defining PACICC's Risk Appetite Limit to be twice our Annual Assessment Limit, or roughly $2.14B.

> **"The ongoing dialogue with Ottawa has largely been around how to structure such a backstop – and in particular, how to avoid moral hazard and ensure that public funds are not used to "bail out" private interests."**

In our Systemic Risk Model, we have shown that, above a certain size of insured loss event, claims of eligible policyholders would far exceed that limit. And we have also illustrated why, in that time of crisis, politicians, regulators and industry leaders would unite to call upon PACICC to fund claims in excess of that limit. And thus, our advocacy for a federal backstop – with taxpayers providing critical liquidity in time of crisis – to avert systemic collapse and to ensure proper protection for Canadian policyholders. The ongoing dialogue with Ottawa has largely been around how to structure such a backstop – and in particular, how to avoid moral hazard and ensure that public funds are not used to "bail out" private interests.

As we have worked to define solutions, we have, of course, looked around the world to see how other jurisdictions with similar earthquake risk have addressed the issue. And, as I have written in these

pages before, many, if not most, of those with similar tail-risk exposure already have a solution in place – including Japan, California, New Zealand, the UK, Spain and France, to name just a few. But two recent developments have flagged another possible source for best practice.

The first development has been the progress made here at PACICC to partner with a panel of the Canadian Banks in order to establish a Standby Line of Credit facility as part of our efforts to "Expand our Financial Capacity," and ensure that we can respond effectively to address Resolution or Insolvency scenarios. It now appears clear that major financial institutions are ready to accept PACICC's Assessment power as sufficient security to advance as much as $250M in short-term funding. And this has led us to ask ourselves whether we could perhaps borrow even more – in a "tail-risk" scenario – by way of a bond issue of some form, with coupon payments and eventual repayment, funded via future years of Member Assessments. In theory, we could borrow many billions of dollars to fund compensation for eligible policyholders after a major quake – as long as interest and sinking fund costs were less than the annual "cap."

> **"The LIGA solution has been to float a $458M USD bond, secured by their own Assessment power. The offering was sufficiently compelling that it earned a Moody's rating of A1 and was successfully placed with a yield of only 4.28%."**

The second development has taken place in the US, where the state of Louisiana has been hit by four major hurricanes since 2020. One result has been the failure of nine insurers last year alone (as of September 2022). This has meant that the PACICC equivalent in the state – the Louisiana Insurance Guaranty Association (LIGA) – has been forced to respond. LIGA is designed very much like PACICC, with Assessment powers comparable to ours (with an upper limit of just 1% of DWP in any given year) as well as very similar ($500,000) policy limits. But with more than 26,000 outstanding claims from this long list of failed insurers, they now require far more funds than their own Annual Assessment Limit. The LIGA solution has been to float a $458M USD bond, secured by their own Assessment power. The offering was sufficiently compelling that it earned a Moody's rating of A1 and was successfully placed with a yield of only 4.28%. It is anticipated that future Assessments over the next 12 years will be required to fully repay this substantial obligation. But eligible policyholders will be helped now. This policy solution offers a fascinating parallel to the scenarios that we have been discussing here at PACICC. But there's still more to learn here…about the role of government in this backstop situation.

Obviously, above a certain level of losses, industry capacity is simply exhausted. And it is not in the public interest to place an unsupportable future burden on surviving insurers…or make a jurisdiction so unattractive that it is impossible to attract new capital and new insurers, or offer the required incentive to recapitalize surviving ones. The Louisiana solution? Insurers in Louisiana are allowed to deduct future Assessment payments from their Premium Tax obligations – up to 10% of total tax payable a year. In this way, government and taxpayers support the industry's effort to look after adversely impacted policyholders <u>without making such policyholder protection too onerous for current or future insurers active in the state</u>.

It has been noted elsewhere that it is no sin to borrow a good idea from others. And so, as we enter a tenth year of discussion regarding earthquake risk with no solution yet found to the "backstop" issue, maybe it is time for us to consider borrowing solutions from others…who have found a solution to their own comparable challenges by borrowing? More on this later this year.

Alister Campbell, President and Chief Executive Officer at PACICC

PACICC Priority Issues: Updates

“Permanent Priority” Issue

This past year has been a busy year on this file. PACICC staff is actively partnering with industry stakeholders to address the largest single risk facing the Canadian property and casualty (P&C) insurance industry – systemic contagion caused by a large earthquake. In its P&C Industry Model update paper (“*How Big is Too Big? – The Tipping Point for Systemic Failure”*), PACICC clearly identified the threshold beyond which the industry will not be able to respond adequately to such a major event. The analysis included detailed scenarios (e.g. an event in B.C. and Quebec) and sensitivity analysis regarding the outcomes of five alternative public policy responses. The results of this analysis provide a compelling rationale for a Federal Government backstop mechanism to safeguard Canadians.

In 2022, PACICC worked closely with both the Institute for Catastrophic Loss Reduction (ICLR) and Insurance Bureau of Canada (IBC) on possible insurance “pool” designs, and the structure of “backstop mechanisms” that the pool designs would require. PACICC also liaised with staff from the Bank of Canada, OSFI, the Canadian Deposit Insurance Corporation and the Canada Mortgage and Housing Corporation to highlight the risks of systemic contagion in the industry. In addition, we were honoured to be asked to have representation on the AMF’s Advisory Committee on “the risks associated with Earthquake” – we are pleased to see key provinces begin to pay greater attention to this public policy problem.

It is important to note, however, that it has now been 5+ years since the Federal Government first made a formal commitment to tackle this issue, and there is no current proof that the work that we have been doing as an industry on this critical file is having the desired impact. Our Board will be looking for more progress on this subject in 2023, and PACICC’s Action Plan is being revisited annually, until such time as some form of Federal Government backstop mechanism has been secured and put firmly in place.

Priority Issue – 2021
Contingency Planning and Desktop Simulations

With the delivery of a Pre-Insolvency Regulatory Liaison (PIRL) Committee final report to the PACICC Board on November 3, regarding lessons learned from the insolvency simulation exercises, work on this file has concluded. Proper emergency preparedness requires periodic testing of response procedures, to ensure that processes and procedures function as intended when the call for help comes. To ensure that we are prepared to respond to insolvency situations, PACICC engaged separately with the AMF and OSFI in comprehensive desktop simulation exercises during 2021. Disruption caused by the COVID-19 pandemic pushed some work well into 2022. The additional time enabled us to cycle through the entire process, from early warnings of insurer distress through to eventual liquidation. The simulations involved a fictional “distressed” insurer, complete with supporting company materials (e.g. OFSI Risk Assessment document, full P&C-1 information, Appointed Actuary Report and Own Risk and Solvency Assessment).

Both the AMF and OSFI have expressed an interest in further simulations in the years to come, and we also plan to explore the potential for such "desktop" exercises with the Canadian Council of Insurance Regulators (CCIR) and other key provinces involved in the prudential supervision of PACICC Members.

Priority Issue – 2022
Review the Scope and Scale of PACICC's Compensation Fund

PACICC made great strides on its Priority Issue for 2022 – completing a formal review of the scope, scale and mandate of the Compensation Fund. The Fund was initially established in 1997, to ensure PACICC's capacity to refund unearned premiums of affected policyholders following an insolvency without delay, while arrangements are being made for a General Assessment to collect additional required funds. CIBC Asset Management currently manages the Fund. The Fund is overseen by PACICC's Audit & Risk Committee and governed by a strict Investment Policy focused exclusively on fixed income securities, with high priority placed on security and liquidity. Its current market value is just over $57 million.

At its November 3 meeting, the PACICC Board was updated on the progress made on this file in 2022. Based on the Board's conclusion at the June Strategic Planning Conference that a standby line of credit facility appeared to be the optimal means of achieving PACICC's objective to enhance financial capacity, Management provided an update on work done to secure such a facility and outlined proposed next steps. The Board approved the implementation of a $250 million standby line of credit facility that would help to cover the rapid return of policyholders' unearned premiums, up to insolvency situation affecting one of PACICC's 15-largest Member Insurers. This facility could also assist with funding other types of resolution which could be required if one of the 15-largest Member Insurers became distressed.

The Board authorized PACICC Management to negotiate the terms of a standby line of credit facility (with an annual cost, net of borrowing, not exceeding $1.25 million) under the supervision of PACICC's Audit and Risk Committee. The Board also authorized PACICC Management to recover the costs of the standby line of credit facility through an Assessment of PACICC Members, keeping the minimum Administrative Assessment at the current level ($10,000 per Member). These decisions were communicated to all PACICC Members in a year-end (November 21) letter from PACICC President and CEO Alister Campbell.

Priority Issue – 2023
Coverage and Benefits Review

In 2020, the PACICC Board committed to CCIR that it would review coverage and benefits at least once every five years, with the next review occurring within three years. At its November 3 meeting, the PACICC Board confirmed this matter as the Corporation's Priority Issue for 2023. The Coverage and Benefits review will again employ three guiding principles – Fairness; Transparency/Clarity; and Modernization. The Board approved a review that will again examine: extent of coverage, claim limits, return of unearned premiums and the threshold for commercial coverage eligibility. Some regulators have asked if PACICC should adopt regional benefit limits to reflect higher construction

costs in certain provinces. The industry-wide Data call issued in the Fall of 2022 will enable PACICC to properly evaluate the adequacy of our coverage and benefits at a more granular level and better position us to address these potential concerns from a fact-based position.

Other Key Priority Issues

Resolution Infrastructure

At its November 3 meeting, the PACICC Board reviewed other Priority Issues that seek to enhance the industry's resolution infrastructure.

a) **Expanded Resolution Capabilities**
In 2020, PACICC Member Insurers confirmed that they would be comfortable if PACICC pursued alternatives to liquidation under defined circumstances. While both Assuris and PACICC have the ability to provide capital, loans or guarantees to recapitalize a distressed insurer in Canada, only Assuris has a Bridge Insurer (CompCorp Life) that is regulated by OSFI, to assist with troubled insurers. On November 3, the PACICC Board approved amendments to PACICC's Memorandum of Operation that would allow PACICC to create a Bridge Insurer, if/when formal regulatory approval is received from OSFI. The proposed amendments, currently being reviewed by CCIR, would ensure that the PACICC Board has full legal authority to create a Bridge Insurer if and when approval is given by regulators. The changes will have no effect without OSFI's approval to establish a Bridge Insurer. Work to initiate a formal application for this new entity has already begun.

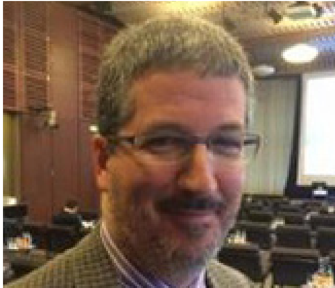
b) **Increased Financial Capacity**
After several years of research and industry consultation, the PACICC Board agreed to establish a new, higher target for our short-term liquidity capacity. Analysis confirmed that PACICC's current Compensation Fund (valued at $57M) is inadequate to enable the Corporation to respond effectively to the failure of an average-sized Canadian Member Insurer. In fact, the Fund would be inadequate to respond to the failure of any of the top-70 P&C insurers in Canada. Prudent contingency planning requires a Fund in excess of $250M. Over the past number of years, PACICC has explored multiple avenues to reach this higher target, including: the purchase of reinsurance, the resumption of annual capital levies (how our current Fund was initially established), or through some form of standby line of credit facility.

At its June 2022 Strategic Planning Conference, the PACICC Board concluded that the reinsurance options tabled were unsatisfactory, with flaws in both the product available (parametric-triggered payment after an event yielding insured losses of greater than $7.5B) and the quoted pricing ($3M-$4M a year for $190M in payments). At the same time, the Board determined that a resumption of industry capital levies (perhaps $5M-$10M a year, for a decade or more, to reach the new target) would be an inefficient employment of industry capital. A decision was made to enhance PACICC's liquidity via an ongoing standby line of credit facility, with a syndicate of Canada's largest banks. The facility will be "co-led" by CIBC and RBC and will provide PACICC with ready access to up to $250M of instant liquidity, enabling the Corporation to respond to both resolution and/or insolvency scenarios. The cost to the industry will come in the form of annual "standby fees" and will be funded via Assessments as described above.

Emerging Issues

Fiona: Another one for the record books

by Glenn McGillivray



Hurricane (or, more accurately, post-tropical storm) Fiona made landfall between Guysborough and the Canso area of Nova Scotia on the evening of September 23 and into the early hours of the 24th, ripping through large portions of Cape Breton Island before moving on to Prince Edward Island and Newfoundland and Labrador.

Damage from the storm was extensive, with roofs blown off buildings, trees down on houses and vehicles, piers, ports and boats destroyed, and structures washed out to sea. Critical public infrastructure, such as roads, bridges and culverts, also took a beating. Power outages were extensive, including 400,000 customers without electricity in Nova Scotia and almost all of PEI in the dark by the morning of the 24th. By October 14, 160 customers on the island were still without service.

Popular tourist sites were also hit hard, as PEI's famous Teacup Rock at Thunder Cove Beach crumbled from the battering seas, and the forest around the Fortress of Louisbourg looked like it had been levelled by a giant bulldozer. PEI's famous sea arch at MacKenzie's Brook, weakened by Fiona, also succumbed to the sea seven weeks later after being lashed by remnants of tropical depression Nicole. Beaches across Cape Breton, PEI and other locations were hard hit by erosion and sand loss from the storm. Some places will never be the same.

An early loss figure generated by CatIQ and released by IBC put preliminary damage for Fiona at $660 million insured, making the storm the costliest severe weather event in Atlantic Canada history. However an updated figure not made public (CatIQ is a subscription-based service) added a substantial amount to the early estimate. With inflation, supply chain and labour shortages and other issues, the third and final CatIQ total could very well be higher yet. Regardless, when claim adjustment expenses are considered, the event marks another billion-dollar loss for Canadian insurers. This would be the second for 2022, after the May derecho in Ontario and Quebec, and only the second time ever that the country experienced two billion-dollar loss events in the same year.

> **"These metrics mean yet another record breaker for the country. In the past decade or so, Canada has experienced: its costliest flood; its first back-to-back billion-dollar loss events; its costliest wildfire; its costliest hailstorm; and its deadliest heat wave."**

Fiona also broke another record, in that it had the lowest surface pressure (932.58 millibars) of any landfalling hurricane north of Florida since 1858 – making it the lowest pressured hurricane/subtropical storm ever to make landfall in Canada. Surface pressure is an important metric, in that lower pressures correlate to higher wind speeds and spatially larger storms and, hence, greater property damage.

These metrics mean yet another record breaker for the country. In the past decade or so, Canada has experienced: its costliest flood (Southern Alberta in June, 2013); its first back-to-back billion-dollar loss events (Southern Alberta flood/Toronto flood in June/July, 2013); its costliest wildfire (Fort McMurray in May, 2016); its costliest hailstorm (Calgary in June, 2020); and its deadliest heat wave (British Columbia in June, 2021).

Indeed, in recent years, severe weather has been costing Canadian insurers and reinsurers an average of about $2 billion a year in round numbers. This year, however, the derecho that tore a long swath of damage through Ontario and Quebec, Fiona and (at writing) 11 other events have driven the cost up to well over $2.5 billion.

According to an analysis conducted by ICLR chief engineer Dr. Keith Porter, these events are currently costing Canada a total of about $6 billion annually: about $2 billion to $2.2 billion of which is insured, with the rest being uninsured. That's two per cent of the value of annual new construction. According to Porter, Canadian catastrophe losses are growing nine per cent annually, three times faster than GDP, six times faster than new construction and 10 times faster than the population.

And despite what we hear about flood losses (which, make no mistake, are quite high, at more than $13 billion insured, 2008-2022, CatIQ), wind and hail leads at more than $18 billion insured.

It's clear that we need to get better at doing several things, including: building more robust new homes (primarily via improved building codes); getting more existing homes retrofitted; preventing the creation of new risk through better land use planning; developing new modelling, mapping and other tools to better tell us where the risk is, then communicating the findings to governments, developers/builders, the retail real estate industry, homebuyers and others; and factoring climate change into the construction of new, or refurbishment of existing, critical public infrastructure.

Reams can be written as we get into the details of each of these measures, but suffice to say that we largely know what needs to be done (little, if any of it, is a mystery).

But it essentially can all be reduced to the question of choice.

Canadian society at large must choose to be more resilient.

It's like the issue of rehab for a troubled individual – we must first admit that we have a problem.

Glenn McGillivray, Managing Director, Institute for Catastrophic Loss Reduction and
Adjunct Professor, Disaster and Emergency Management, York University

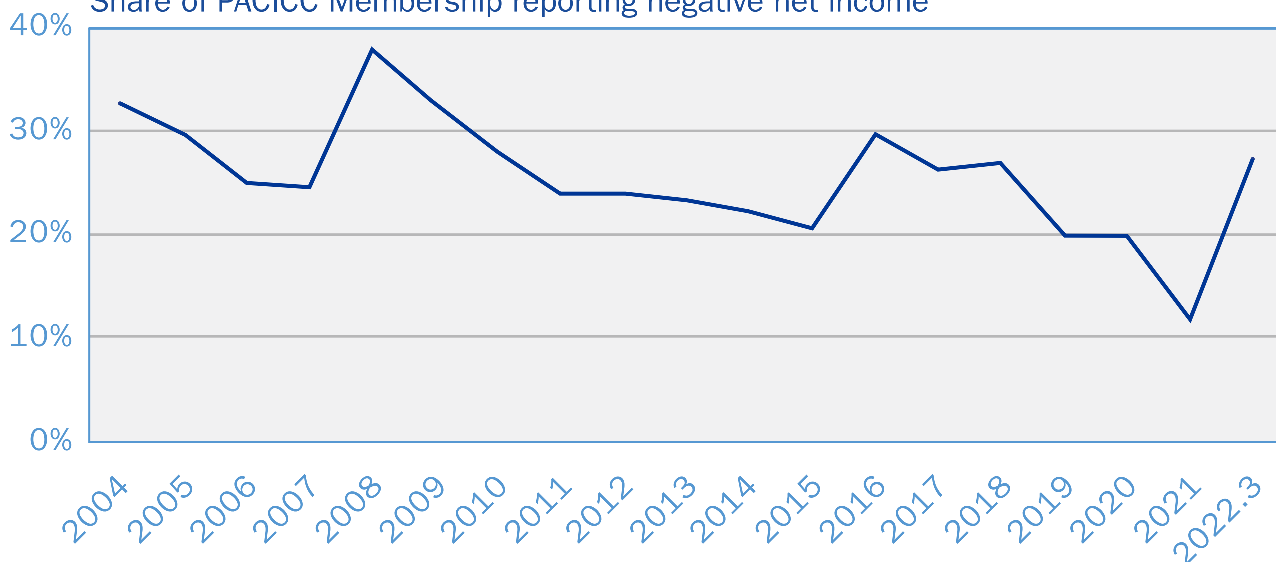
Solvency Analysis

Bad investment results make good underwriting more important than ever - by Zhe (Judy) Peng and Grant Kelly

The third-quarter 2022 financial results posted by Canada's property and casualty (P&C) insurers represent the beginnings of an expected return to historically "normal" levels of profitability. In the third quarter, the industry reported a return on equity (ROE) of 13.3 percent. While this is certainly much lower than the 18.0 percent reported one year earlier, the industry ROE remains above the long-run average of 10.1 percent. So, based on historical patterns, there is more deterioration to come.

Although a reversion to the long-run average was expected, the 2022 financial results are unusual for P&C insurers in a number of ways:

1) **Historically good underwriting results**
The underwriting results for insurers remain excellent. The 52.4 percent loss ratio recorded for the first three quarters of 2022 represents the industry's best start to an underwriting year since 1975. It beat the previous "best" reported in 2021. This is excellent news for those that focus on solvency. PACICC's *Why Insurers Fail* research series has consistently found that poor pricing and inadequate reserving for insurance risk are the primary causes of failure for insurers world-wide.



Source: PACICC based on data from MSA Research

2) **Historically bad investment results**

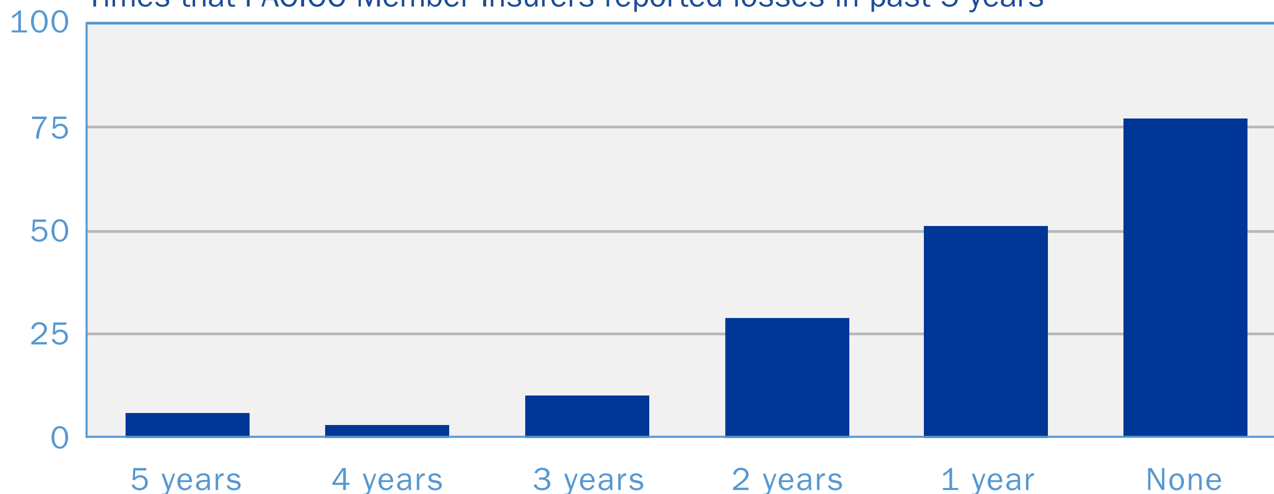
Investment results tell the exact opposite story. PACICC's database of industry results traces back to 1975. Over this 47-year period, P&C insurers have NEVER reported annual investment losses – not once. This could change in 2022. In the first nine months of 2022, Canada's P&C insurers reported return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

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

The challenge for those insurers that are reporting negative net income is how quickly they can return to profitability. Consistent profitability is a very important solvency metric for PACICC. And not all insurers have shown the ability to achieve this. There are a small number of insurers that consistently report negative net income, and it is these Member Insurers that PACICC continues to monitor most closely.

Consistent losses are a leading indicator of future solvency issues

Times that PACICC Member Insurers reported losses in past 5 years



Source: PACICC based on data from MSA Research

3rd Quarter 2022 Financial Year Results

($ millions)	Q3 YTD 2022	Q3 YTD 2021	Percentage Change
Direct Premiums Written (DPW)	$56,173	$52,066	7.9%
Net Pemiums Earned (NPE)	$43,106	$42,340	1.8%
Net Claims Incurred	$22,743	$22,802	-0.3%
Operating Expenses	$14,011	$13,365	4.8%
Underwriting Income	$6,603	$6,338	4.2%
Net Investment Income	-$929	$1,975	-147.0%
Net Income	$5,382	$6,869	-21.6%
Combined Ratio	85.2%	85.4%	
Net Loss Ratio	52.4%	53.9%	

Select Solvency Indicator Ratios

($ millions)	Q3 2022	Q3 2021
Average Equity	$53,929	$50,944
Return on Equity (ROE)	13.3%	18.0%
Return on Investment (ROI)	-1.2%	2.5%
Comprehensive ROE	2.1%	18.1%
Comprehensive ROI	-7.0%	2.6%
MCT Ratio (Capital Available/Capital Required)	243.5%	258.4%
BAAT Ratio (Net Assets/Capital Required)	295.6%	298.2%

Source: MSA Research as of November 28, 2022.

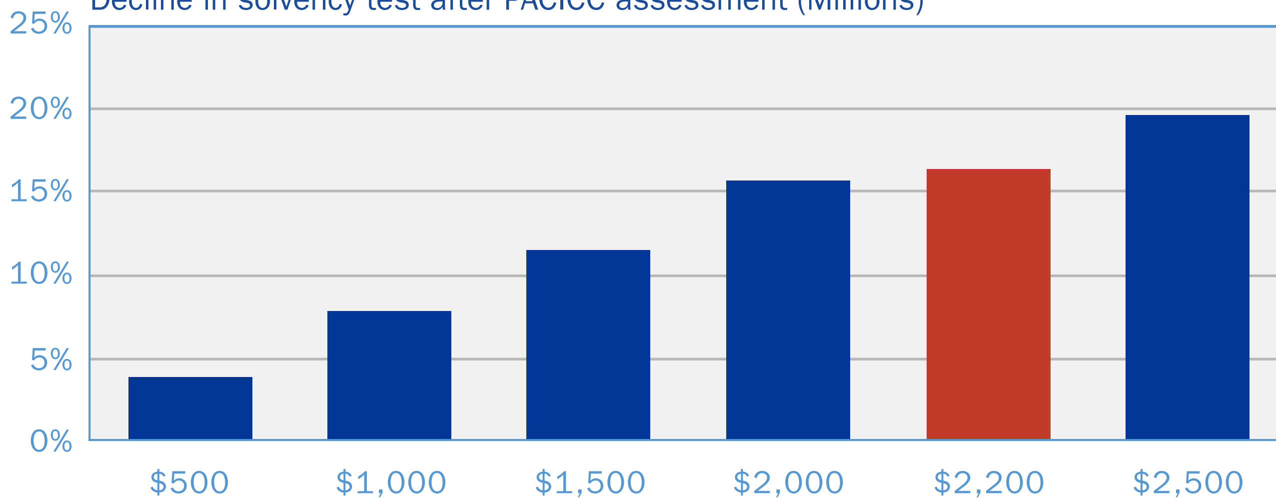
Grant Kelly, Chief Economist, Vice President, Financial Analysis and Regulatory Affairs
Zhe (Judy) Peng, Research Assistant, PACICC

Evaluating PACICC's Current Assessment System

by Grant Kelly

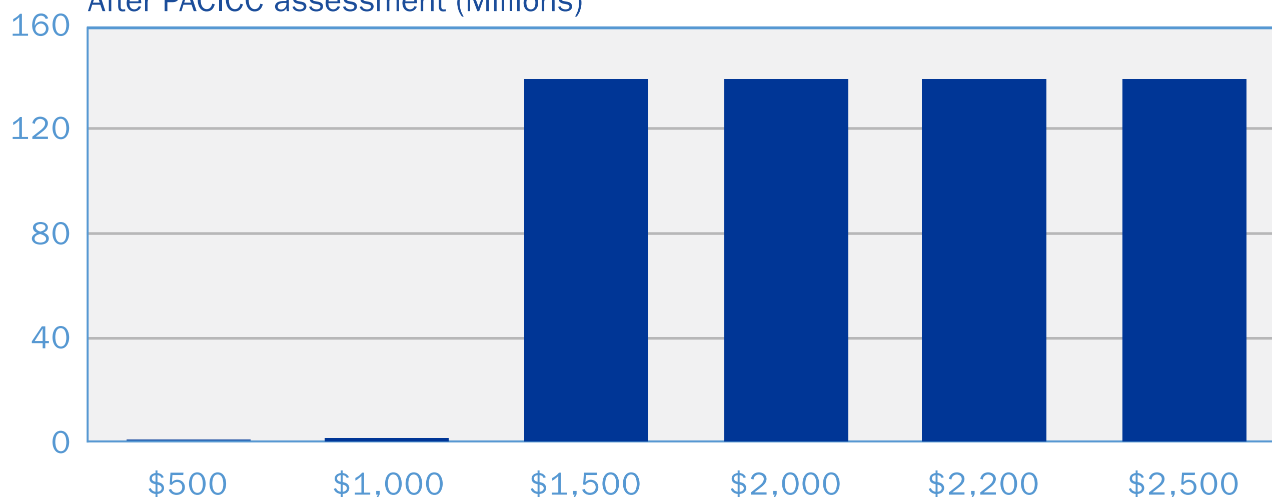
One of PACICC's primary roles is to provide liquidity (meaning actual hard cash) to the estate of a failed insurer in order to fund returns of unearned premium and fund payments of claims of eligible policyholders. To collect the required cash, PACICC has the power to assess Member Insurers. PACICC has used this assessment power 11 times since the Corporation was founded. The last time PACICC assessed Member Insurers was to fund the protection of policyholders of Markham General, in 2003 – $20 million was collected some 19 years ago.

When PACICC was first established, it was understood that a fair allocation would mean an assessment of Member Insurers competing in the same province(s) as the failed insurer, based on market share in the previous year. As an example, if a PACICC Member that only wrote business in Ontario fails, then PACICC would share the costs of the insolvency across all Members that also wrote business in Ontario, based on their market share in that province. If such a failure were to happen today, PACICC would assess the 132 insurers that reported positive Direct Written Premiums (DWP) in Ontario in their 2021 financial filings, based on their "adjusted" share of the province's insurance market. The market shares are adjusted to remove that of the failed insurer. If an Alberta-only insurer were to fail, the assessment cost would be shared across the 117 PACICC Members active in that province, based on their adjusted market share in Alberta.



Source: PACICC based on data from MSA Research

PACICC's Memorandum of Operation does limit the annual amount that it can require in any single year – that limit being set at 1.5 percent of covered DWP for each insurer in the previous year. Compiling the annual maximum assessment payable across all PACICC Members, based on 2021 DWP, means that in 2022 we could assess up to $1.07 billion annually. And PACICC's assessment capacity continues to grow as industry DWP grows. But it is critical to appreciate that there is no limit on the total amount that PACICC can assess Members – only a limit on the amount that can be assessed each year, until the insolvency is fully funded. It is also worth pointing out that in the past, when PACICC sent such an assessment, Members were given 30 days to pay.



Source: PACICC based on data from MSA Research

Our recent review of PACICC's funding capacity indicates that the current assessment framework simply was not designed to handle the liquidation of a medium- to large-sized Member Insurer. To illustrate this point, PACICC has modelled the impact of a large assessment for an Ontario-based insurer. Up to a required assessment of $250 million, no Member Insurer receives an Assessment invoice which reaches the 1.5 percent annual maximum requirement. At $500 million, one PACICC Member would reach this threshold. At a $1 billion assessment, two PACICC Members would take multiple years to pay their assessments. But at $2 billion, all PACICC Members would require multiple years to pay their assessments.

And such assessments directly impact the solvency of the remaining insurers. An assessment represents a direct reduction of an insurer's capital base. PACICC estimates that an assessment of $500 million would reduce the average Minimum Capital Test (MCT) or Branch Adequacy of Assets Test (BAAT) of Member Insurers by 3.9 points – meaning a Member with a MCT/BAAT of 250.0 percent prior to the assessment would report a test score of 246.1 percent after paying the PACICC assessment. The impact on a Member's MCT/BAAT varies based on market share and the size of the insurer's capital base. Naturally, the impact on MCT/BAAT scores grows with the size of the assessment required.

At some point, the required assessment becomes large enough to reduce a Member's MCT/BAAT score to a level below its regulatory target. These targets are confidential and PACICC cannot model for this with complete precision. But for an industry assessment of $2.2 billion, the PACICC assessment would certainly cause some solvent PACICC Members' test scores to fall below the regulatory minimum. Critical to note, there are now 17 PACICC Members so large that they report unpaid claims reserves greater than this amount on their balance sheets in 2022.

In 2016, PACICC's Board of Directors established a Risk Limit of two years of the maximum assessment – which means roughly $2.2 billion. If one or more insolvencies occur requiring assessments larger than this amount, then the PACICC Board will need to discuss with stakeholders how to best handle this unprecedented situation, while still balancing the needs of policyholders with the future viability of Canada's P&C insurance system.

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

Risk Officer's Forum Meetings

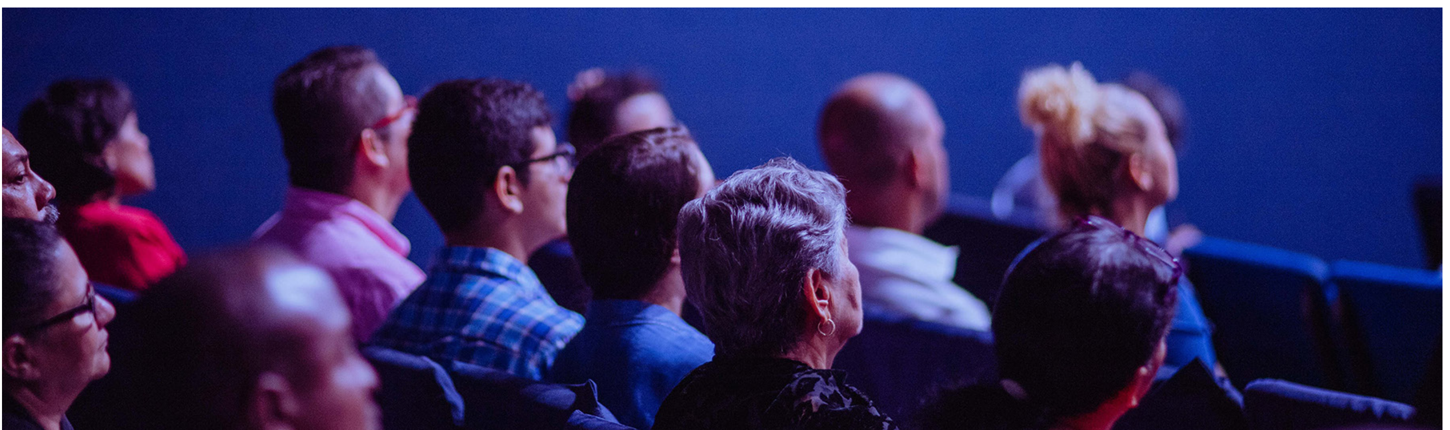
Forum Meeting include a keynote speaker on a topical industry issue, followed by industry/expert presentations on current ERM issues.

2023 Forum Meeting Dates and Discussion Topics:

Thursday, March 30
Topic: OSFI Update on Current and Emerging Issues; Operational Challenges Related to Inflation; and Reinsurance Update

Thursday, September 14
Topic: Supply Chain Challenges; Earthquake Update; and 2023 PACICC ERM Benchmark Survey Findings

November* (Date to coincide with OSFI's Risk Management Seminar)
Topic: CEO Perspective on a Current Risk Issue; Model Risk; and IFRS-17



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.

2023 Emerging Risks Webinar Dates and Discussion Topics:

Thursday, February 23
Topic: Risk Identification and Risk Assessment

Thursday, May 18
Topic: Climate Change and Adaptation

Thursday, October 20
Topic: Geo-Political Risks to Infrastructure

For event registration information (pre-registration is required) or to be included in future Risk Officer's Forum member advisories, please contact Ian Campbell, Vice President, Operations, PACICC at icampbell@pacicc.ca or 647/264-9709.

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