SOLVENCY MATTERS

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

PACICC

Insolvency protection for home, automobile and business insurance customers

Issue 29 - May 2025

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From the Desk of the President

When the Dog Catches the Car - by Alister Campbell

I am sure that I am not alone in feeling like 2025 has started off as a mad sprint. Geopolitical strains are evident everywhere, and our country is suddenly facing unexpected existential threats. The Los Angeles fires have reminded us all of the power of Mother Nature to overwhelm, in even the most developed economies – and with complete indifference to geopolitical developments. (Those fires also further amplified the importance of insurance as a key component of societal resilience and hopefully served notice to public policy practitioners worldwide about the need for more effective public-private partnerships to support risk transfer for peak and secondary perils). And… all of us have scrambled to put into action the plans that we submitted to our Boards last Fall, and sought to keep teams aligned around common objectives – even as we felt the ground shifting under our feet.

Here at PACICC, we have been working to execute against a Board-approved Strategic Plan with a focused list of deliverables. Despite that focus, I would honestly say that I think our team is feeling tremendous pressure to execute right now. Why? Because we have suddenly received a "Yes" on multiple policy questions, all at once. The next steps on each of these priority issues require careful thought and precise implementation. To achieve that precision across all files simultaneously feels like a "high-degree-of-difficulty dive." Doable…but, far from easy.

The first of the questions where we received a "Yes" concerned the possible attainment of a credit rating for PACICC. Our Board approved an initiative to explore this possibility at the end of 2023 and, over the course of last year, we initiated discussions with several of the major rating agencies, on an unusual question – Could a small not-for-profit corporation like PACICC secure any credit rating at all (much less a favourable one)? We felt (including our Board, I am pretty sure) that the process was speculative at best, and with a most uncertain outcome. But, after an exhaustive series of dialogues, in December we suddenly found ourselves in possession of high investment-grade ratings from two of the major global rating agencies. So…the answer was an emphatic "Yes" after all! And since then, we have been seized with a new and perhaps bigger question – *Now what?*

The second of these questions concerned a proposal to broaden PACICC's legal authority to require information from our Members regarding their reinsurance programs. Historically, we have had authority to secure required information on capital, to facilitate solvency monitoring. But now we were asking to have clear line of sight into "contingent capital" as well, in order to enhance the accuracy of our systemic risk modelling. A comprehensive Consultation Paper (and accompanying online Survey) was distributed to our Members with three possible responses: 1, "Yes." 2, "Yes, but with redactions." And 3, "No." The result has been a landslide in the affirmative. And, once again, we find ourselves to be recipients of a "Yes" that prompts entirely new questions, such as: *How are you going to securely manage this data?...How are you going to analyze it?*...and…*How quickly can you integrate this new level of granularity into PACICC's Systemic Risk Model, to aid in dialogue with the Federal Government regarding an earthquake backstop for the industry?*

If you happen to encounter any of our team on the industry circuit over the next little while…and they look a bit like the proverbial "dog that caught the car," please remember this article…and perhaps offer a word of thanks for all of the hard work that they are doing on behalf of our industry. They deserve it!

The third of the questions where we suddenly got a "yes" was on an element of PACICC's "Permanent Priority Issue" – Mitigating Systemic Risk. For several years, we have been urging Ottawa to move forward faster with some form of liquidity backstop mechanism, to mitigate the risk of systemic contagion after a major insured-loss event, such as a major earthquake. Our question was – *Would the key stakeholders in Ottawa agree to participate in a structured desktop exercise (like the one that we successfully completed last year in BC with direct involvement from BCFSA, OSFI, IBC, AMF and others)?* And, late last year, we received a "Yes" to that question as well…with a target date of Q4 2025! I won't bore you with the long list of subsequent questions that were suddenly begging for answers. Suffice to say, we are now elbows deep in a Working Group effort to define key objectives, establish the optimal trigger scenario and craft an effective simulation exercise designed to powerfully illustrate the scope and scale of the potential challenge, and also create an avenue for collective stakeholder takeaways that could inform urgent action.

No Action Plan with such a richness of initiatives and diversity of topics could hope to be implemented without an outstanding team. I am blessed to have exactly that in the small but mighty squad of PACICC staff. I would caution, however, that if you happen to encounter any of our team on the industry circuit over the next little while…and they look a bit like the proverbial "dog that caught the car," please remember this article…and perhaps offer a word of thanks for all of the hard work that they are doing on behalf of our industry. They deserve it!

Alister Campbell, President and Chief Executive Officer at PACICC

Canada’s P&C industry survived a large stress test in 2024…and ended up in exactly the same spot - by Grant Kelly

2024 was a very challenging year for Canada’s property and casualty (P&C) insurance industry. There were two positive factors that influenced the industry-level results, but they were offset by two significant negative trends. The net result is that the industry’s overall return on equity (ROE) remained at the same 15.1 percent as in 2023.

The first positive factor was a 10 percent growth in Insurance Revenue. This is the third year in a row of strong growth in the industry’s top-line revenue. Over the past three years, the industry’s Insurance Revenue has grown by approximately 10.7 percent per year. This is significantly faster than the 2.4 percent growth reported for the Canadian economy over this same period. While it is normal for the P&C insurance industry to grow slightly faster than the overall economy, this pace of growth is unprecedented. The only previous period where the P&C industry grew more than twice as fast as the economy was between 2001 and 2003, as it recovered from the lowest profitability results in industry history. At that time, the industry was in crisis. Average company ROE was below 2.1 percent, and four insurers failed. The most recent premium growth builds on a much more robust earlier result.

The second positive factor impacting the industry’s 2024 financial results was a 39.8 percent increase in net investment returns. Canada’s P&C insurers hold approximately 75 percent of their investments in bonds. When interest rates fall, the value of these bonds increases. The industry’s bond portfolio benefitted significantly from the Bank of Canada cutting interest rates five times in 2024.

These two positive factors were offset by equally unprecedented growth in Insurance Services Expense – which grew by 18.6 percent! This is the second highest growth in claims reported by insurers since 1975. A significant share of these claims was due to a record $9.1 billion in insurance claims generated by catastrophic losses. In fact, the third quarter of 2024 saw four significant catastrophic events that, on their own, resulted in $7 billion in losses. These events impacted all parts of Canada.

Settling these claims also required insurers to incur additional expenses. Growth in total expenses was the second negative factor. The growth in claims was presumably a contributing factor in the 16.9 percent increase in the industry’s general and operating expenses. However, other adverse expense trends are also clearly at play and will prove even more problematic if there is a reduction in the revenue growth trendline in the coming years.

The result of all of this churn was that the industry’s ROE was 15.1 percent in 2024 – the exact same figure reported in 2023. There are major stresses on the industry in the form of claims costs and operating expenses which are trending unfavourably, to say the least. Thankfully, so far, they have been offset by strong growth in Insurance Revenue and Investment Results. If and when topline results revert closer to historical means, it will be critical to stay focused on these adverse trends which may prove to be more sustainable. This could increase solvency risk.

2024 full-year P&C Financial Results

All values are from MSA, as of March 20, 2025 (not all insurers have yet filed).
$millions, except where noted.

	2024	2023	Percentage Change
Total Insurance Revenue	103,949	94,513	10.0%
Insurance Services Expenses	-91,146	-76,837	18.6%
Net Insurance Service Result	11,596	11,407	1.7%
Net Investment Return	4,072	2,913	39.8%
General and Operational Expenses	-4,474	-3,827	16.9%
Net Income	10,819	10,452	3.5%
Other Income and Expenses	1,142	772	47.9%
Total Comprehensive Income	11,961	11,224	6.6%

Values include insurer data available only to PACICC and also include non-PACICC Members (farm mututals and reinsurers). Values exclude mortgage insurers.

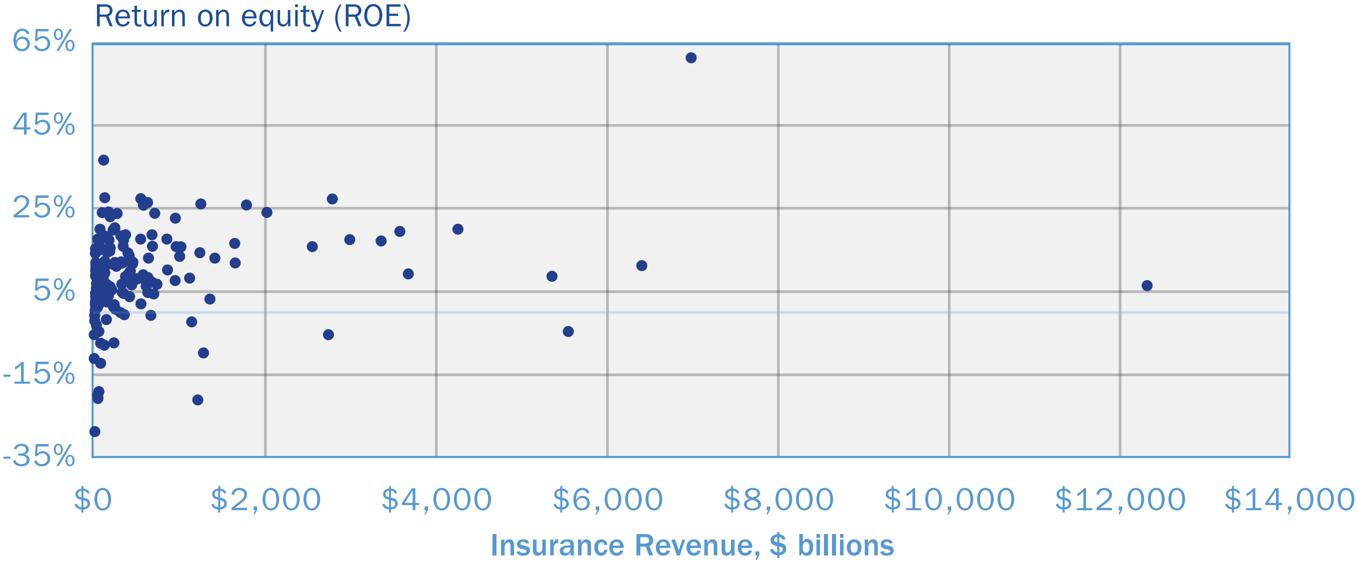
Grant Kelly, Chief Economist, Vice President, Financial Analysis and Regulatory Affairs, PACICC

Wide variation in profitability hidden within industry results
by Grant Kelly

The favourable industry-wide results of 2024 mask large variations in the financial results of the approximately 190 insurance companies that comprise Canada's P&C insurance industry. The industry's overall financial results were significantly (and favourably) impacted by a single major insurer that reported return on equity (ROE) higher than 60 percent in 2024. In contrast, there were 25 insurers that reported overall losses in 2024. There were 40 P&C insurers (one-quarter of all insurers) that recorded a ROE below 2.5 percent – below the annual rate of inflation.

Wide vaiation in profitability across insurers

Return on equity (ROE)



Source: PACICC based on data from MSA Research

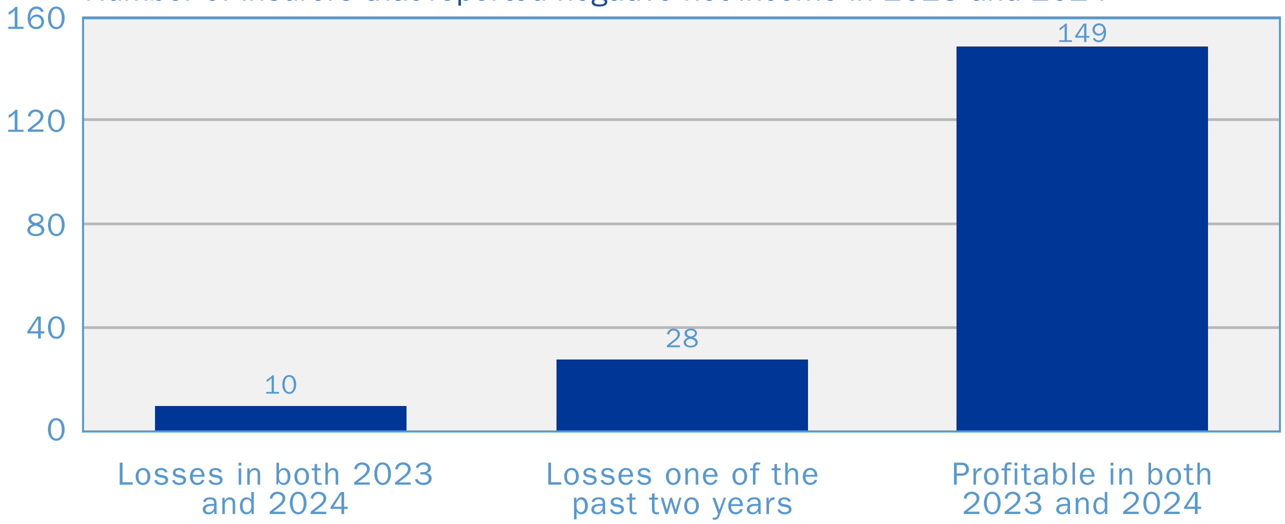
For most of these insurers, a single year of losses proves to be only a blip in the time series and can be quickly corrected. However, despite two consecutive years with an industry-wide ROE of 15.1 percent and strong overall profitability, there were 10 insurers that reported losses in both 2023 and 2024. An additional 28 companies reported losses in one of these years. In contrast, 149 insurers reported profits in both years.

Insurers that provided Commercial Liability insurance reported ROE of 24 percent (although this number is embellished by the extraordinary financial performance of the single, major commercial insurer referred to above). Commercial Liability was the most profitable line of insurance in 2024. Insurers that offer primarily personal lines insurance (Personal Property and Auto) reported a lower ROE of 10.1 percent. Reinsurers had a challenging year and reported a ROE of just 7.2 percent.

The Gross Insurance Service Ratio (GISR) is a measure of the profitability of an insurance company's underwriting business before considering the impact of reinsurance. The GISR includes all insurance expenses, including claims, acquisition costs and some operating expenses directly related to servicing insurance contracts. For an insurer to be profitably underwriting business, the GISR must be significantly below 100 percent because the company must also pay its other operating costs. With this as context, personal lines insurers reported an uncomfortably high GISR of 93.9 percent, while commercial insurers reported a much better GISR of 68.7 percent. Canada's reinsurers reported a disappointing GISR of 108.1 percent.

Despite record industry-wide profitability, some insurers are still reporting losses

Number of insurers that reported negative net income in 2023 and 2024



Source: PACICC based on data from MSA Research

The Net Insurance Service Ratio (NISR) is the GISR adjusted to include the impact of reinsurance. To put it another way, the impact of reinsurance is the difference between the GISR and NISR. In 2024, the NISR for personal and multi-line insurers was 1.2 percent lower than the GISR, meaning that the amount that primary insurers collected from reinsurers to assist in paying claims was greater than the cost of buying that reinsurance. The financial results of these insurers improved because they purchased so much reinsurance.

Significant differences across sectors

	Industry	Personal or Multi -line Insurers	Commercial Insurers	Reinsurers
Return on equity	15.1%	10.1%	24.0%	7.2%
Gross Insurance Service Ratio	86.8%	93.9%	68.7%	108.1%
Net Insurance Service Ratio	88.0%	92.7%	78.4%	93.3%
Reinsurance Impact Ratio	-1.2%	1.2%	-9.7%	14.8%
Minimum Capital Test	267.2%	245.5%	337.2%	364.4%

Source: PACICC based on data from MSA Research

The GISR for commercial insurers was 9.7 points lower than the NISR, meaning that these companies paid more for reinsurance than the amount that they received in claims in 2024.

Interestingly, in 2024, Canadian reinsurers benefited the most from buying reinsurance or using retrocession themselves. Reinsurance is a global business. The Reinsurance Impact Ratio (RIR) for reinsurers was 14.8 percent. This indicates just how much money from the global reinsurance capital pool flowed into Canada in 2024 to assist our country, its primary insurers and its reinsurers in managing the impact of the extraordinary $9.1 billion in natural catastrophe losses.

Emerging Issues

The Winding-up and Restructuring Act: Is it Beyond Repair?

by David Bish

The Winding-up and Restructuring Act (WURA) contains the primary (but not exclusive) set of rules that govern the affairs of most regulated financial institutions experiencing financial distress, including insurance companies. It is a cornerstone of the Canadian distressed financial institutions regime, but it has been neglected for decades and is in dire need of attention. So much so that the question has now become whether to even attempt to reform the Act, or to instead supplant it entirely (either with a newly enacted modern paradigm or by piecemeal reform of sector-specific legislation such as the *Insurance Companies Act, Bank Act, Canda Deposit Insurance Corporation Act (CDIC Act)*, etc.).

History of WURA

The first Canadian insolvency legislation was enacted in 1869, the second in 1875. Each was short-lived. A third attempt in 1880 in respect of insolvent banks and insurance companies was never enacted. But in 1882, Parliament passed *An Act Respecting Insolvent Banks, Insurance Companies, Loan Companies, Building Societies and Trading Corporations* and this time it stuck. This statute was based on the provisions found in earlier Canadian insolvency legislation and relevant English statutes and was the only insolvency legislation in Canada until 1919. The Act was renamed the *Winding-up Act* in 1886, and thereafter changed to *WURA* pursuant to amendments in 1996. It remains glaringly apparent in reading the Act today that this legislation was drafted in the 19th century and intended for financial institutions as they existed long ago rather than for the complex corporate structures, businesses, and markets that exist today.

> **“It remains glaringly apparent in reading the Act today that this legislation was drafted in the 19th century and intended for financial institutions as they existed long ago rather than for the complex corporate structures, businesses, and markets that exist today.”**

Distressed insurance companies cannot sidestep *WURA* and seek recourse to the more modern insolvency regimes set out in the *Bankruptcy and Insolvency Act* (BIA) and *Companies' Creditors Arrangement Act (CCAA)*. The *BIA* and *CCAA* each define the entities to which those Acts apply, and expressly exclude insurance companies and other financial institutions. And although Parliament recognized the commercial importance of modernizing the *BIA* and *CCAA* – with statutorily-mandated reviews of the statutes required to be conducted every five years with a view to regularly updating those Acts – there is no comparable provision in *WURA*.

Deficiencies of WURA

The failure to modernize *WURA* creates a number of challenges for those attempting to rely upon this obviously outdated Act. At its worst, the Act is skeletal, missing key tools, and unwieldy to apply to modern financial institution failures. Viewed more charitably, the Act – and the application of the Act by the courts – is flexible and permissive, allowing creative means to apply the Act, fill in its gaps, and overcome its anachronistic deficiencies.

What is wrong with *WURA*? What is missing from the Act? Examples include:

- The drafting of the statute is inherently problematic (i.e., even if it addresses an issue, it often does so in such an antiquated or simplistic manner that it makes applying the statute to complex financial institutions and markets difficult and uncertain).
- Companies and stakeholders have fewer and less clear rights than under contemporary insolvency legislation (e.g., under the *BIA* / *CCAA*, there are express provisions to permit the assignment of contracts to a purchaser without obtaining otherwise required consents – there is no similar provision in *WURA* to assist with transfer of a business or assets).
- Outdated reviewable transaction provisions and a lack of viable restructuring tools and options.
- The *BIA* and *CCAA* have provisions dealing with recognition of foreign insolvency proceedings and co-ordination of same. *WURA* is generally silent on cross-border matters, including comity and co-operation. This is particularly significant under *WURA* – more so than under the *BIA* and *CCAA* – given the number of actors that may be engaged by a cross-border financial institution failure, including courts, regulators, industry associations, customer compensation bodies and guarantee funds, securities commissions and exchanges, and clearing and settlement systems.
- *WURA* lacks many of the resolution tools needed to robustly secure our domestic financial system.
- Canada has been at the fore of global developments that focus on supervisory oversight and early intervention (e.g., risk-based capital requirements; risk management practices; enhanced financial reporting and monitoring; more demanding actuarial and accounting standards; improved transparency; etc.); however, *WURA* has not been amended to reflect these developments. And, in contrast to its being an early adopter of international best practices with respect to supervisory oversight and early intervention, Canada has not kept pace with global developments that focus on resolution and winding-up (e.g., FSB Principles of Effective Resolution Regimes for Financial Institutions).
- Decades of commentary have established a lengthy list of additional sought-after reforms (many of which overlap global frameworks such as the FSB's Key Attributes of Effective Resolution Regimes for Financial Institutions and the FSB's Key Attributes Assessment Methodology for the Insurance Sector). These reforms include treatment of priorities, treatment of employee wage and pension claims, governance of insolvent entities, and formal mechanisms for interim financing through winding-up. Actors in specific sectors, including PACICC and Assuris in the P&C and Life and Health insurance sectors, have also called for targeted *WURA* reforms unique to their industries and circumstances, which have also gone largely unheeded.

Responding to WURA's Deficiencies

One response to the challenge of an outdated *WURA* has been to focus on sector-specific reforms in other applicable legislation. For example, significant changes have been made to the *CDIC Act* with respect to banks that has resulted in a closer alignment with global standards in that area and the incorporation of many of much-needed resolution tools. But sector-specific reform is leading to fragmentation and inconsistent legal paradigms for distressed financial institutions, as well as a patchwork of legislation to be applied. Addressing a distressed bank may haphazardly engage *WURA*, the *Bank Act*, and the *CDIC Act*, among other legislation. And this fragmentation and patchwork of legislation is not restricted to the federal level. The failure to occupy the field with a comprehensive federal regime has arguably also contributed to increasingly expansive sector-specific provincial legislation. For example, Ontario recently updated the *Credit Unions and Caisses Populaires Act* (*CUCPA*) to add significant resolution powers and tools in the provincial credit union space. As a result, the resolution of a distressed credit union – both procedurally and substantively – may vary significantly, based solely on whether it is a federal or provincial credit union and, if provincial, in which province it is situated. An infirm *WURA* paradigm has contributed significantly to this state of affairs, and there is every indication that this fragmentation and patchwork approach to distressed financial institutions will proliferate despite the problems this creates (including an expansion of provincial resolution paradigms that invites constitutional scrutiny).

WURA's deficiencies persist principally for two reasons. First, there has been no political will to address them. Second, actors in the space are complacent, in large measure because of: (i) the absence of critical financial institution failures in Canada in recent memory; and (ii) their conviction that they can overcome *WURA's* shortcomings in practice. For example, it has been over two decades since we last saw a P&C insurance company failure in Canada. Those few *WURA* cases we have seen in recent years have been small and contained (e.g., Silicon Valley Bank (authorized foreign branch that was not permitted to accept any deposits in Canada); Maple Bank (authorized foreign branch that was not permitted to accept retail deposits in Canada); and Union of Canada (a small mutual life insurance company)), while other financial institution failures have proceeded under other statutes (e.g., PACE (provincial credit union) was wound up under the Ontario *CUCPA*, not *WURA*). Actors in this space are confident – based in large measure on *CCAA* experience – that when a crisis does arise, our judges, lawyers, liquidators, regulators, and compensation bodies will work co-operatively and effectively to overcome the limitations and deficiencies of *WURA* through creative solutions and judicial discretion.

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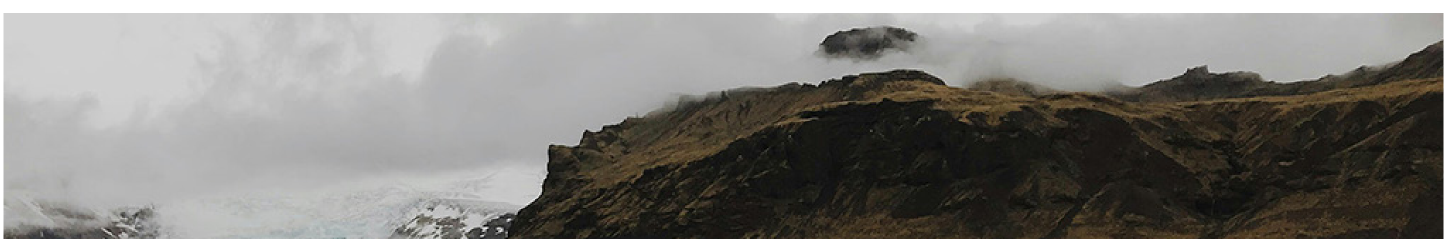
The takeaway is disquieting. *WURA* is outdated and deficient, but we are not inclined to address it until circumstances – meaning a consequential FI failure – force us to. We know such failures are inevitable, even if not seen in recent memory in Canada. For example, PACICC's research attests to the fact that P&C failures tend to occur in clusters (with three significant clusters seen in Canada between 1981 and 2003) [WIF-2024-Analyzing-Failure-Clusters.pdf]. Like a volcanic eruption long past due, there is concurrent certainty (that it will occur) and uncertainty (when precisely it will occur). We wait for an uncertain but inevitable financial crisis yet take no meaningful steps in respect of *WURA* to better prepare.



Can *WURA* be repaired? Yes, absolutely. But it would be an arduous and complex task, and the undertaking requires both political will and the dedicated attention of a number of actors. There is no panacea to be found in a surgical or superficial legislative fix; a holistic overhaul of the Act is required. The alternative would be entirely new legislation that supplants *WURA*. Perhaps it would be more effective to simply start anew with a modern legislative paradigm for distressed financial institutions than to attempt to make workable through amendment the anachronistic and unwieldy provisions of *WURA*. If Parliament and practitioners alike are overwhelmed at the thought of trying to repair *WURA* – to the point of decades-long legislative paralysis – then replace it. Either way, turning a continued blind eye to *WURA* is irresponsible public policy. Parliament can repair it or replace it – but it has to stop ignoring *WURA*. This, in turn, will only happen if and when actors in this space (both domestic and international) unequivocally advocate for change and embrace their respective roles in the pivotal task of designing and implementing effective reform.

“**Can *WURA* be repaired? Yes, absolutely. But it would be an arduous and complex task, and the undertaking requires both political will and the dedicated attention of a number of actors.**”

David Bish, Partner, Torys LLP

PACICC Priority Issues: Updates

Managing Systemic Risk

PACICC's Board established "Mitigating Systemic Risk" as a Permanent Priority Issue, until such time as some form of Federal liquidity backstop mechanism is finally put in place. Canada stands alone as a developed nation with significant earthquake exposure, but without some form of public/private partnership or government backstop. While multiple Federal Ministers of Finance have affirmed the Government's commitment to address this issue, the timeline for a solution remains unclear. The current election and trade war have further delayed progress on this policy file.

In the 2023 Federal Budget, then Finance Minister Chrystia Freeland reaffirmed the Government's commitment to addressing this issue. We remain hopeful that there will be a successful conclusion on this file, and are continuing our engagement with Finance Canada, OSFI, Bank of Canada, CMHC, FCAC and CDIC, as appropriate. PACICC continues to work closely with IBC and ICLR to ensure that our approaches are aligned in an efficient and effective manner.

As the industry awaits action from Government, PACICC continues to make incremental progress on reducing systemic risk. For example, in 2024, PACICC:

- Changed its Memorandum of Operation (MoO) so that the methodology for establishing the quantum of any required assessment for future insolvencies was based on "best estimate" rather than "maximum exposure"
- Applied to be designated as a Compensation Association under the *Insurance Companies Act* (a response from Finance Canada is still pending)
- Partnered with the British Columbia Financial Services Authority to conduct a tabletop insolvency simulation exercise to demonstrate the decision-making process that PACICC's Board would use to employ the PACICC "Circuit Breaker"(the Corporation's current MoO includes a provision for the Corporation to suspend its work to protect policyholders if its action would cause "financial difficulties" for Canada's P&C insurance industry).

Additionally, in the first quarter of 2025, PACICC:

- Issued a Consultation Paper to all Member Insurers regarding proposed authorization for PACICC to access Member Insurers' Reinsurance (B-9) filings with Regulators, in a safe and secure manner. The deadline for Members to provide feedback was February 28, 2025
- Conducted an unearned premiums survey of Member Insurers to better understand the size and scope of this important part of the PACICC policyholder compensation model
- Proposed minor amendments to both the Minimum Capital Test and Branch Adequacy of Assets Test to reduce the impact of multi-year assessments.

In the remainder of 2025, PACICC will continue efforts to reduce systemic risk through:

- **An Updated Risk Appetite –** Our Board previously adopted a Risk Appetite with a defined limit equal to 2X our maximum assessment capacity ($2.6B at present). A core finding of the PACICC/BCFSA desktop exercise was that, in certain scenarios, our mechanism and financial capacity would be overwhelmed earlier than PACICC's previous modelling suggested. Given this finding, as well as potential changes in our liquidity capacity, it is now appropriate for us to revisit our defined Risk Appetite Limit
- **Further Desktop Insolvency Simulations –** PACICC has begun planning (with IBC) another desktop earthquake simulation exercise. The goal is to hold a session in Ottawa – with a range of senior federal and provincial government decision makers in the fall of 2025
- **Multiple Perils –** Working with regulatory partners and the Canadian Institute of Actuaries to enhance stress testing around sequential events and aftershocks
- **Update our Systemic Risk Model –** PACICC plans to publish a revised "Tipping Point" paper incorporating newly accessible reinsurance information, in late 2025 or early 2026.

To be clear, none of these incremental changes will allow PACICC to respond to an earthquake resulting in insured losses much greater than $35 billion (our current best estimate). Canada must, like all other developed nations with earthquake risk, design a financial/liquidity backstop to truly protect our citizens from peak perils.

Enhancing Resolution Capabilities

According to the International Association of Insurance Supervisors, resolution means "the actions taken by a resolution authority towards an insurer that is no longer viable[1]." This is clearly part of PACICC's mandate and mission. The Financial Stability Board (FSB) has detailed the key attributes of a jurisdiction's insurance resolution regime.[2] Today, Canada does not have such a national Insurance Resolution Authority. Instead, the attributes are shared between regulators, PACICC and our Life industry sister organization, Assuris.

PACICC's review of the FSB key attributes determined that a key step in enhancing PACICC's resolution capabilities would be the successful incorporation and chartering of a "bridge" insurance entity. A Bridge Insurer would meaningfully enhance PACICC's response capabilities in a range of distress/crisis scenarios – for example, an insurer incurring "toxic liabilities," or situations involving any of our industry's 17-largest insurers in financial distress, where immediate liquidation would otherwise be very costly for all stakeholders. In late 2023, PACICC formally applied to OSFI to create PACICC-SIMA General Insurance Company (PGIC). This new Bridge Insurer would remain inactive until needed.

Throughout 2024, PACICC engaged in discussions with OSFI about the Corporation's application to create PGIC. Our application is now with the Minister of Finance for approval. Assuming that PACICC attains such approval in 2025, the next steps will involve securing the licensing of PGIC in all Participating Jurisdictions (10 provinces and three yerritories). This will be a key priority in the second half of 2025. PACICC's Pre-Insolvency Regulatory Liaison (PIRL) Committee will be actively involved in the establishment and implementation of an appropriate governance model for this shell entity.

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[1] https://www.iais.org/glossary/

[2] https://www.fsb.org/2020/08/key-attributes-assessment-methodology-for-the-insurance-sector/

Another important initiative beginning in 2025 and extending out into 2026 involves PACICC working with OSFI and Assuris to develop an approach to resolution planning for Internationally Active Insurance Groups (IAIGs) in Canada. OSFI already requires IAIGs to engage in recovery planning. This will be expanded to include resolution planning and the establishment of Crisis Management Groups for IAIGs. OSFI has established a Crisis Readiness Team in Supervision, as a centre of excellence on Recovery and Resolution. This team is responsible for managing the relationship with the compensation associations (such as PACICC and Assuris). PACICC will be actively engaged with both OSFI and Assuris on how we can support these efforts to enhance resolution planning and crisis management in the months to come.

Expanding our Financial Capacity – Exploring Medium-Term Capacity Options

PACICC currently has $63.7 million in liquid assets in its Compensation Fund, as well as a $250M line of credit with a syndicate of Canada's big-six banks. This represents the Corporation's short-term financial capacity. PACICC estimates that these funds would be enough for PACICC to begin the liquidation of all but the 15-largest PACICC Member Insurers.

PACICC's MoO allows the Corporation to levy assessments up to 1.5% of Direct Premiums Written on Member Insurers, within any single calendar year. This is PACICC's long-term financial capacity – currently approximately $1.31 billion. Over the course of 2024, we liaised with major rating agencies regarding the prospect of securing a credit rating for PACICC. Maintaining these ratings (subject to annual review) is inexpensive and entirely consistent with our "low-cost optionality" strategy. Late last year, we successfully secured high investment-grade ratings from two major credit rating agencies. It now appears possible that PACICC could secure larger, longer-term liquidity solutions for the industry, thus enabling us to respond to larger events without contributing to systemic stress in a period of crisis.

In 2025, PACICC will work to better understand the steps required to operationalize such debt issuance (accounting treatment, debt structure, etc.). We will also revisit reinsurance and insurance-linked securities options for contingent capital solutions, as it appears that there has been some evolution and movement in the parametric market since PACICC last reviewed this subject area in 2021.

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.

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.

Upcoming Emerging Risks Webinar:

Thursday, May 22

Speaker:	**Mary Kelly** Professor, Finance and Chair in Insurance Lazaridis School of Business and Economics Wilfrid Laurier University
Topic:	Climate-Induced Catastrophes and the Protection Gap

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.

Upcoming Forum Meeting:

Thursday, September 11

Keynote:	**Neil Morrison** Chair Designate, Aviva Canada Inc.
Topic:	Board Member Perspective on ERM
Discussion 1	
Speakers:	**Speaker(s) TBA**
Topic:	Ontario Auto Reform
Discussion 2	
Speakers:	**Sonia Kundi** Chief Risk Officer, Zurich Cover-More **Tracy Mann** Vice President, ERM and Chief Compliance Officer Definity Financial Corporation **Jean-Philippe Daigle** Chief Risk Officer, Desjardins Insurance **Ian Campbell** Vice President, Operations, PACICC
Topic:	Results of 2025 PACICC Benchmark Survey on ERM

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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