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 31 - September 2025

NEXT

From the Desk of the President

Remembering not to take our blessings for granted

by Alister Campbell

As our readers (and Members) are likely aware, PACICC has not had a fresh insurer insolvency to manage since 2003, and the last of our active estates was fully resolved in 2019. Our operating mantra in these quiet circumstances is "in times of peace…prepare for war!" So, in Canada, we are actively monitoring industry results, evaluating quarterly financial performance of all Members, and reviewing "watchlist" Members (if any) with the relevant regulatory authorities. We are constantly engaged in contingency and scenario planning, including the use of our proprietary systemic risk model to work through stress tests involving tail-risk events. We also maintain an active research agenda to ensure that we are aware of international trends and are able to identify best (and worst) practice in other jurisdictions. Part of our research agenda over the last several years has involved publication of a landmark *Global Failed Insurer Catalogue* (GFIC), through which effort we have sought to identify every insurer in the world which has failed since 2000.

The third edition of our GFIC was just released this quarter and now encompasses some 965 failed insurers in 71 countries – both developed and developing – around the world. An average of more than 20 insurers a year are failing every year somewhere on this earth! you can read a summary of the Key Findings from this massive research project, by study co-author Grant Kelly, on P.6 of this issue of *Solvency Matters*. I would like to highlight just one key finding from the study here…a discovery that has caused me some sober reflection. The finding? In too many parts of the world, the majority of insurer bankruptcies occur in jurisdictions without policyholder protection mechanisms like PACICC.

> **"In too many parts of the world, the majority of insurer bankruptcies occur in jurisdictions without policyholder protection mechanisms like PACICC."**

Canada's history is littered with insurer failures. We have identified 35 of them in a review of our own nation's corporate history. The problem was so severe that our industry joined with provincial and territorial regulatory authorities to form PACICC in 1989. Since we were founded, we have managed 13 failures on behalf of our public and private stakeholders. In doing so, we ensured that policyholders were protected against undue loss, while costs were managed effectively on behalf of the industry which funded those costs. Most important, we helped to maintain confidence in the Canadian financial services system – a precondition for an effectively functioning sector. Looking back, it is hard to imagine how things worked before PACICC. But, it is clear that outcomes were much better for all stakeholders after PACICC was established.

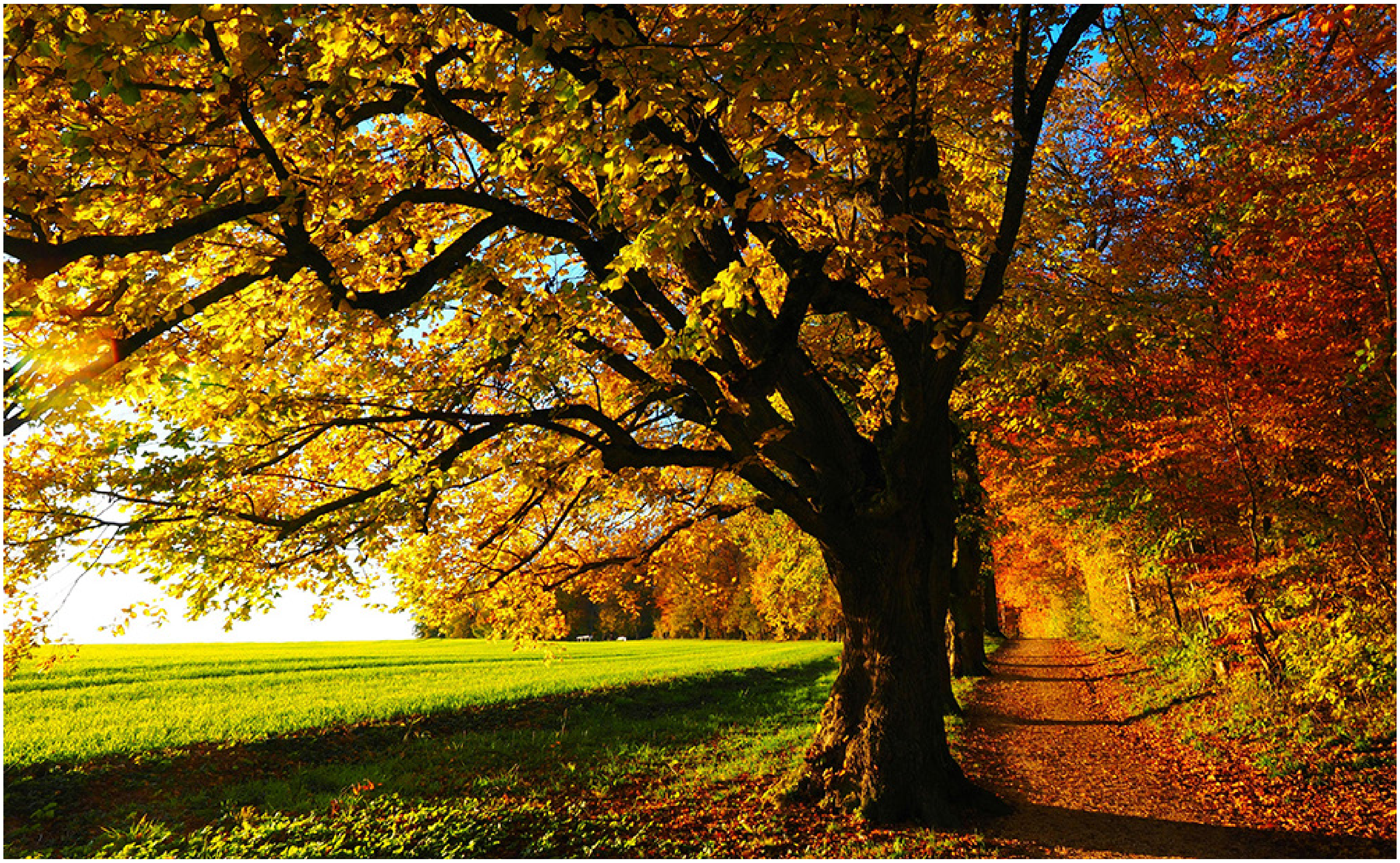
The evidence revealed in our *Catalogue* research is unsettling and a reminder that the blessings and benefits of the Canadian system – which we are used to taking for granted – are not shared universally. Amazingly, in the case of the 139 insurer failures in Europe since 2000, less than half of the failures saw policyholders protected by some form of insurance guarantee mechanism.

Nearly two-thirds of Asia's 84 failures occurred in jurisdictions without policyholder protections. And in the case of African failures (96 of them) and South American failures (97 of them), almost none occurred in jurisdictions with a mechanism like PACICC. There are plenty of reasons to be grateful that we live in a country like Canada…and this research confirms that PACICC is one of them!

I am writing this in mid-August and on the day before leaving to attend the Annual General Meeting of the International Forum of Insurance Guarantee Schemes (held this year in Almaty, Kazakhstan!). We meet to exchange best practice information and share experiences. We are all structured differently (public/private/mixed) and offer a mix of funding models (ex-ante and/or ex-post). We also differ in the levels of protection that we offer. But no matter how we are structured, we have all successfully managed insurer failures in our own jurisdictions. And in so doing, we have all offered protections to our policyholders that are sadly not yet universal.

> **"Looking back, it is hard to imagine how things worked before PACICC. But, it is clear that outcomes were much better for all stakeholders after PACICC was established."**

Canadian summer is a great time to reflect on just how lucky we are to be citizens of this blessed country. I hope that all of our readers have taken the opportunity to enjoy that time with family and friends. See you on the circuit this Fall!



Alister Campbell, President and Chief Executive Officer at PACICC

A perfectly average first six months - by Grant Kelly

Canada's property and casualty (P&C) insurers reported satisfactory profitability over the first six months of 2025. The industry's return on equity (ROE) was 10.7%. While this is certainly lower than the 13.0% reported in the same period in 2024, it is in fact exactly equal to the industry's 50-year long-run average ROE.

The decline in average returns was due to worsening underwriting results. Insurance Expenses (up by 9.8%) grew materially faster than Insurance Revenues (up by 6.4%). This resulted in a $730 million decline in the industry's Net Insurance Result.

The underwriting results in Canada's Auto insurance markets were particularly gruesome. The Net Comprehensive Combined Ratio (NCCR) measures underwriting profitability by including the impact of insurance service expenses, reinsurance expenses, general and operating expenses, and net insurance finance expenses, all relative to net insurance revenue. A NCCR ratio greater than 100% indicates that this line of coverage is eroding the industry's capital base. The NCCR for Private Passenger Auto insurance exceeded this threshold in eight provinces and all three territories (Newfoundland and Labrador, Prince Edward Island, Nova Scotia, New Brunswick, Manitoba, Saskatchewan, Alberta, British Columbia, Yukon, the Northwest Territories and Nunavut). These results are unsustainable. The only Auto insurance markets that reported a NCCR below 100% were Ontario and Quebec.

The early start to wildfire season contributed to a deterioration of Personal Property insurance results in Newfoundland and Labrador, Ontario, Manitoba and Saskatchewan. Insurance written in these jurisdictions also generated NCCRs greater than 100%.

It is important to note that Commercial Property and Liability insurance remain profitable across Canada's P&C insurers and across Canada's regions. However, there is growing industry buzz about softening terms and conditions in these markets, so it will be important to watch the next few quarter's results closely in these sectors.

As always, beneath the average industry results, there is significant variability in the profitability of PACICC's 163 Member Insurers. Insurers that focus on personal lines of insurance report lower profitability than insurers that focus on commercial insurance. There were 26 insurers that reported losses over the first six months of 2025. While returns are currently average, PACICC will continue to monitor the results of all Members, as current trends are headed in the wrong direction.

2025 Q2 – Summary of Financial Results

All values are from MSA, as of August 26, 2025
Values are in $millions (CAD), except where noted.

	2025 Q2	2024 Q2	Percentage Change
Total Insurance Revenue	49,790	46.807	6.4%
Insurance Services Expenses	-41,202	-37,543	9.8%
Net Expenses from Reinsurance Contracts Held	-3,554	-3,500	1.6%
INSURANCE SERVICES RESULT	5,034	5,764	-12.7%
Investment Return	3,130	2,858	9.5%
Net Finance Income/Expenses	-1,407	-1,366	3.0%
NET INVESTMENT RESULT	1,723	1,492	15.5%
General and Operating Expenses	-2,171	-2,330	-6.8%
Other Income and Expenses	421	637	-33.8%
NET INCOME	3,681	4,174	-11.8%
TOTAL COMPREHENSIVE INCOME	3,935	4,418	-10.9%

Select Solvency Indicator Ratios

	2025 Q2	2024 Q2
Net Insurance Service Ratio	89.9%	87.7%
Return on Investment (ROI)*	4.2%	4.1%
Return on Equity (ROE)*	10.7%	13.0%
MCT Ratio (Capital Available / Capital Required)	257.1	263.3
BAAT Ratio *(Applicable to Branches)* (Net Assets Available / Capital Required)	401.3	387.0

Values exclude mortgage insurers*

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

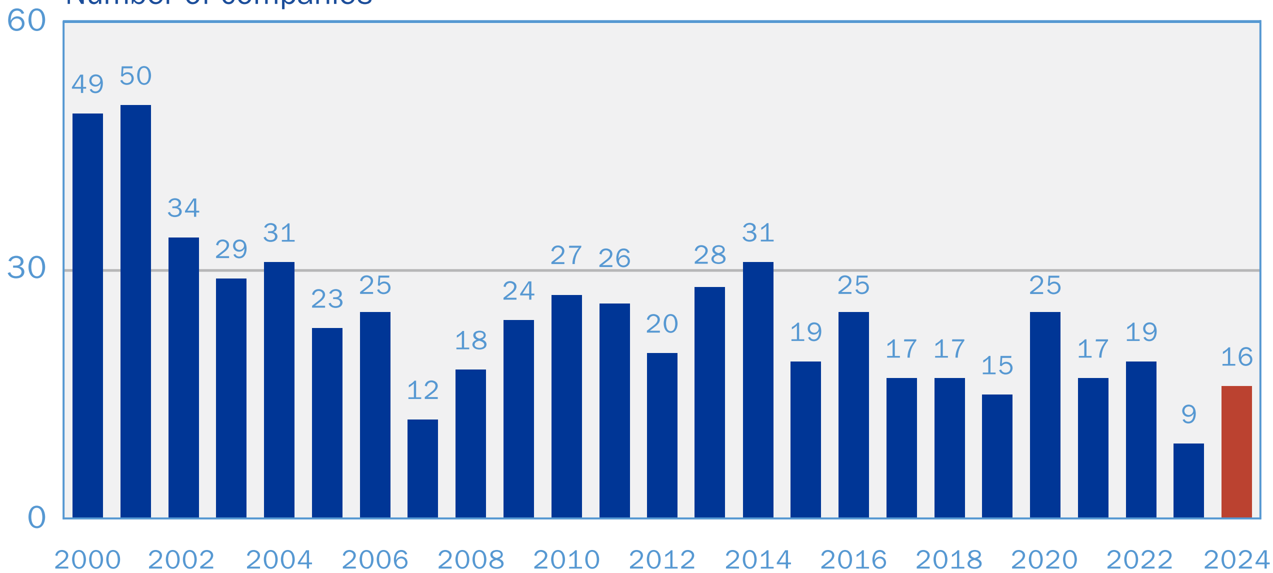
606 P&C Insurers have failed in 58 different countries since 2000
by Grant Kelly

Some 22 years have passed since a property and casualty (P&C) insurer failed in Canada – back in 2003 – and so it can be very tempting to conclude that insurer failures are a thing of the past. And those so tempted would have some good reason for that conclusion. After all, there have been many significant improvements in the operation, governance and supervision of P&C insurers over the past 20 years.

The third edition of PACICC's Global Failed Insurer Catalogue (GFIC) encompasses 965 P&C, Life, and Composite insurers and reinsurers which are known to have failed since 2000 – in 71 different countries. PACICC believes that this Catalogue is now the world's most comprehensive, publicly available database of failed insurers. The substantial number of failed insurers in our database helps us to address the initial question, "Do insurers still fail?" – and to answer with an emphatic "Yes."

P&C Insurer failures

Number of companies



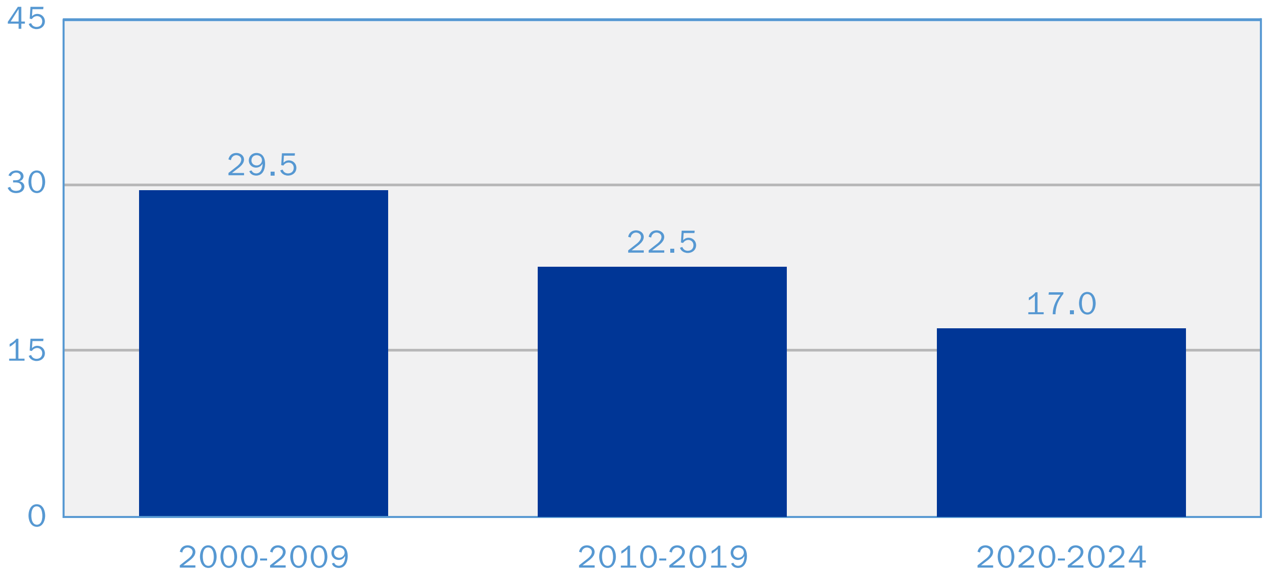
Between 2000 and 2024, PACICC identified 606 P&C insurer failures around the globe. An average of 24.2 P&C insurers failed each year.

Source: PACICC

And what about P&C insurers specifically? PACICC has now identified 606 P&C insurers in 58 different countries that failed between 2000 and 2024. At least nine P&C insurers failed every year over the period under review. On average, 24.2 P&C insurers failed each year. The highest number of failures occurred in 2001, when 50 P&C insurers failed. The lowest number was quite recent. Just nine P&C insurers failed in 2023.

Some 331 P&C failures have occurred in the United States (U.S.) since 2000. This is almost nine times more than any other country. Four individual U.S. states – Florida (46), New York (28), Texas (26) and Illinois (26) – and Argentina (35) are among the five jurisdictions that reported the most P&C failures since 2000. Canada ranks 32nd on this list with six failures over the same period.

The average number of failed P&C insurers is falling



Average number of insurers that fail each year falling in each decade

Source: PACICC

It is interesting to note that the average number of P&C insurers failing annually appears to be falling. Between 2000 and 2009, an average of 29.5 P&C insurers failed per year. Between 2010 and 2019, this average fell to 22.5. Since 2020, an average of 17 P&C insurers failed each year. Why are there fewer failures?

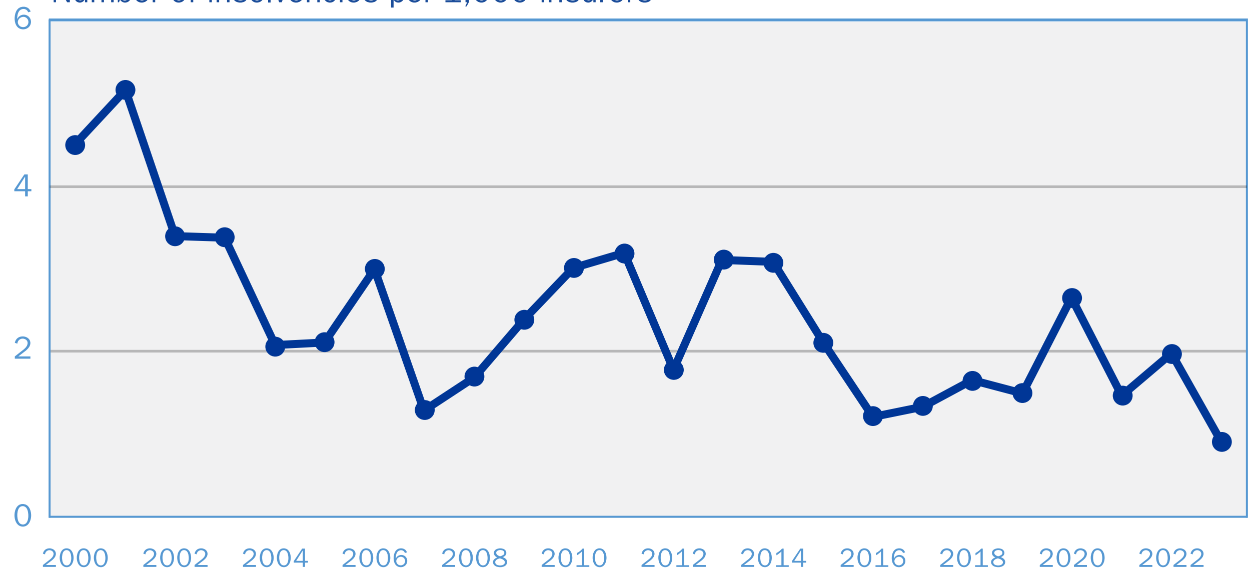
A likely explanation is the significant improvements in both management and oversight over the past 20 years. Some of these improvements include: risk-based regulation and risk-based capital requirements; implementation of enterprise risk management best practices; enhanced statutory financial reporting; more sophisticated and rigorous actuarial and accounting standards; as well as technological advancements which enable better risk data analytics. Taken together, these improvements mean that insurers have become much more sophisticated in their core business of pricing, risk selection and loss estimation. However, improved management and prudential regulation are not the only causes for the reduction in the number of insurer failures.

The Government of Canada's Superintendent of Bankruptcy calculates annual insolvency rates for many industries. The business insolvency rate is defined as the number of business insolvencies per thousand businesses. The Superintendent's report focuses on movements up or down in these insolvency ratios over time. An increasing insolvency ratio means that the businesses in that industry are facing tough economic conditions. A declining insolvency ratio means that the pressures on these businesses are lessening. It is generally expected that the insolvency ratio for any industry would stay within a low, stable range.

PACICC created an annual insolvency rate for insurers, using data from 38 countries in the Organisation for Economic Co-operation and Development (OECD) Insurance database. 26 of the 38 countries in the OECD Insurance database have experienced the failure of an insurance company since 2000. As a denominator for this calculation, we use the total number of companies in each jurisdiction provided in the OECD Insurance Statistics Yearbook.

P&C Insurer insolvency rate across OECD

Number of insolvencies per 1,000 insurers



The P&C failure rate was higher between 2000 and 2004 at 2.91 failures per 1,000 insurers. Since 2005, the P&C failure rate has been 2.08 per 1,000 insurers.

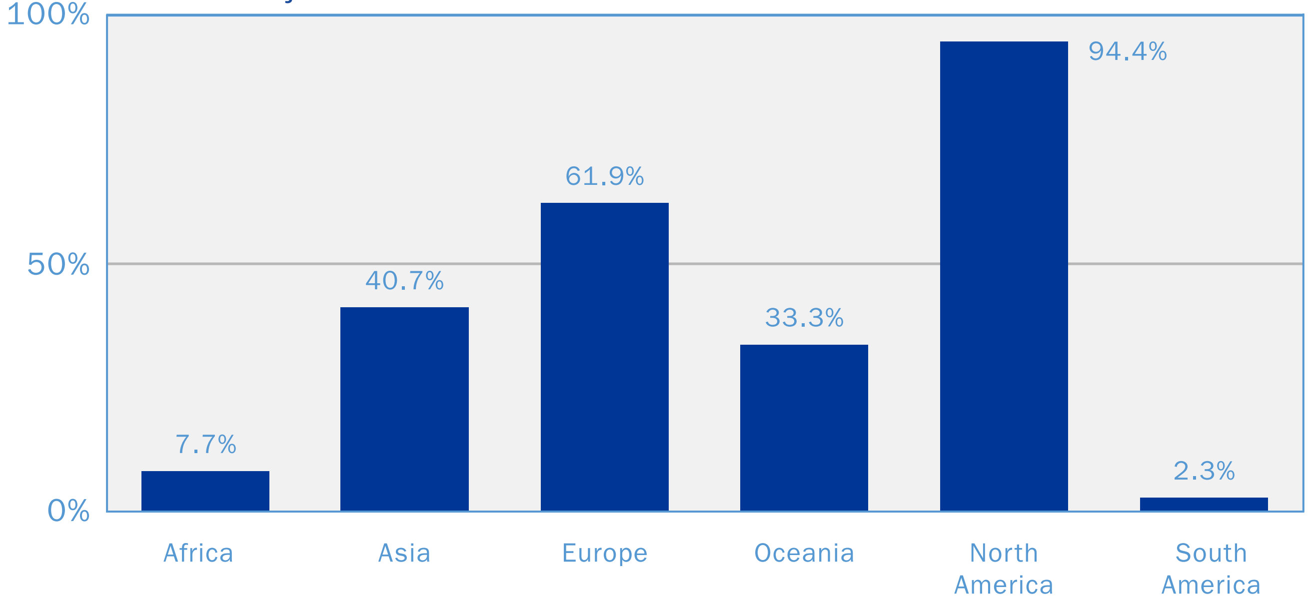
Source: PACICC

Since 2000, it would be normal for 2.51 P&C insurers to fail for every 1,000 insurance companies, every year across the OECD. There were a large number of P&C insolvencies between 2000 and 2004 and the insolvency rate was higher over this period – at 2.91 failures per 1,000 insurers. Since 2005, the insolvency rate for P&C insurers across the OECD countries has been stable at 2.1 failures per 1,000 insurers. But, it is important to note that in 2000, there were 7,335 P&C insurers competing across the OECD. In 2023, there were only 6,109 – a reduction of more than 1,200 companies. This suggests that another reason for some of the decline in the number of annual P&C insurer failures is simply a matter of arithmetic – there are fewer insurers as a result of consolidation.

Overall, 418 of the 606 P&C insurer failures in the Catalogue occurred in a jurisdiction with a Policyholder Protection Scheme (PPS) (i.e. the PPS covered P&C insurance, and a P&C insurer failed). It is very good news that policyholders benefitted from the protection provided by a PPS in 69.0 percent of all failures since 2000. However, our study reveals that there is evidence of large gaps in policyholder protection across continents. Policyholders involved in 94.4 percent of failures in North America benefited from the additional layer of protection provided by a PPS. In contrast, policyholders were protected by a PPS in only 40.7 percent of Asian failures, and in just 7.7 percent of failures in Africa.

Evidence of an Internaitonal "Protection Gap" for P&C policyholders

Failures in a jurisdiction with a PPS over total failures on the continent



Some nations have introduced Policyholder Protection Schemes (like PACICC) that provide an additional layer of protection in the unlikely event that their insurer fails. Policyholders at 94.4% of all North American failures were protected by a PPS. Policyholders at 61.9% of European failures were protected by a PPS.

Source: PACICC

Our findings illustrate that insurer failure remains a recurring challenge across developed and developing economies alike. This is exactly why PACICC, and all engaged industry participants, must remain ever-vigilant about the financial health of our P&C insurers in Canada. Failures can and will continue to happen. Our research also makes clear the fact that this cautious approach has worldwide application.

Emerging Issues

A Bridge Over Troubled Water?

On July 21, Canada's Minister of Finance and National Revenue signed Letters Patent of Incorporation, authorizing PACICC to establish a "bridge insurer" (to be known as PACICC-SIMA General Insurance Company, or PGIC). This was a significant milestone for PACICC, as it delivered on an idea dating back to 2020 industry consultations where Members expressed preliminary interest in the idea of an OSFI-chartered bridge insurer to enhance PACICC's Resolution Toolkit. More in-depth discussion with key stakeholders in the lead-up to PACICC's June 2022 Strategic Planning Conference affirmed the rationale for this added capability, suitable to a range of distress/crisis scenarios.

In 2023, PACICC's Board approved the initiation of the application process for such a bridge company. Among the elements guiding their decision was the fact that our sister organization in the life insurance sector in Canada (Assuris) already had its own "shell" bridge insurer (CompCorp Life Insurance Company) which had been effectively employed as part of the resolution of Sovereign Life some years ago. The Board also took note that the International Association of Insurance Supervisors (IAIS) recommends that an effective insurance resolution framework should include this capability.

The plan is for PGIC to lay dormant as a shell entity until needed. Any decision to activate PGIC will require a consensus decision of PACICC's Board of Directors, the federal Office of the Superintendent of Financial Institutions, and the relevant provincial regulators. The PACICC Board's decision will be guided by PACICC's *Resolution Protocol*. This Protocol was developed in 2021 after a fulsome consultation with Member Insurers. Before authorizing the activation of PGIC, the situation must meet the following criteria:

Step One

- Is PACICC's mission at risk? Are policyholders at risk of "undue" loss?

Step Two

- Has the troubled insurer's solvency supervisor determined that the company's recovery is unlikely?
- Does enough time exist for PACICC to stand-up PGIC?
- Can PGIC acquire the appropriate resources to successfully establish itself?
- Could the activation of PGIC be conclusively demonstrated to be materially less expensive than liquidation of the troubled insurer?

Step Three

- The Supervisor and PACICC must both be satisfied with the governance of the troubled insurer during any transition period.
- Capital providers of the troubled insurer will not benefit from this initiative.

PACICC actively monitors the tools and approaches used in other jurisdictions to deal with troubled financial institutions. Recently, an interesting case has been playing out in South Korea involving the country's 10th largest non-life insurer, MG Non-Life Insurance Company (MG). On April 13, 2022, MG was declared an "insolvent financial institution" by its regulator, the Financial Services Commission (FSC). This was the first time in eight years that FSC had labeled a financial institution as insolvent (the last such case was the 2014 insolvency of Golden Bridge Savings Bank). As FSC publicly declared, "As of the end of February 2022, MG Non-Life Insurance's debt exceeded its assets by 113.9 billion won (US$92.9 million), meeting the criteria for an insolvent financial institution under the *Act on Structural Improvement of the Financial Industry*."

MG's net loss in 2021 stood at 61.7 billion won (US$50.3 million), down 38.8 billion won (US$31.6 million) from the previous year, but the company had continued to post a deficit. At the end of 2021, its risk-based capital adequacy ratio under the Korean Insurance Capital Standard (K-ICS ratio, a key measure of financial health) was 88.3% – less than the 100% percent standard set by the *Insurance Business Act*. With its insolvent financial institution designation under Korean law, MG was obligated to find a new owner. Green Non-Life Insurance (the previous name of MG) had also previously been declared insolvent by the FSC and was acquired by MG Community Credit Cooperative in 2013.

Four public sale attempts had been made in the period since April 2022, but all had failed. Prolonged delays in the sale process have further weakened MG's financial health and it remained in financial distress. Over this period, MG's financial condition has continued to deteriorate, with debt now totaling 1 trillion won (US$733.8 million). By Q1 2025, its capital adequacy ratio had fallen to -18.2%, (far below the statutory minimum), meaning that returning the company back to financial health would require a significant capital injection. In Q1 2025, MG held approximately 1.51 million insurance contracts, with 90 percent consisting of long-term policies such as health and accident insurance. Affected policyholders include 1.24 million individual clients and 10,000 corporate accounts.

On May 14 of this year, Korea's FSC announced that MG policy contracts would be transferred to five major non-life insurance firms (Samsung Fire & Marine Insurance, Meritz Fire & Marine Insurance, KB Insurance, Hyundai Marine Insurance, and DB Insurance) via a "bridge insurance company" (Yebyeol Non-Life Insurance) that would be operated by the state-run Korea Deposit Insurance Corporation (KDIC). The bridge insurer was established in July.

"PACICC will continue to monitor this file and others worldwide to advance our understanding about how our Board could employ our new bridge insurer capability in a crisis. Our objective is to ensure that PACICC will be ready to deal with future insolvencies, if and when the need arises."

Initially, the government aimed to liquidate MG and only proceed with contract transfers through the bridge insurer. MG would not be allowed to write any new business. After strong opposition from the MG employee trade union however, the Democratic Party of Korea intervened and ultimately agreed to pursue both the contract transfer and sale simultaneously. KDIC is seeking to complete the MG policy transfers to the five non-life insurers by the end of Q4 2026. The transfer can be accelerated or adjusted depending on the results of due diligence and market conditions. KDIC has publicly affirmed that it is searching for a buyer for MG by Q2 2026. If a buyer is not found during this period, the MG contracts will be transferred as scheduled to the five non-life insurance companies. Finding a buyer for MG will be difficult. Trade media reported that approximately 877.3 billion won (US$718.6 million) is needed to stabilize the troubled firm after acquisition.

It is definitely interesting that a bridge insurer is being used in Korea to deal with an industry insolvency. More intriguing, however, is the fact that it is being used for continuation of the troubled insurer's policies (a solution more commonly seen in life insurance resolutions). PACICC will continue to monitor this file and others worldwide to advance our understanding about how our Board could employ our new bridge insurer capability in a crisis. Our objective is to ensure that PACICC will be ready to deal with future insolvencies, if and when the need arises.

Sources: *The Korea Times, The Korea Herald, Maeil Business Newspaper, UNI Global Union, Insurance Asia, Business Korea and ChosunBiz*.

PACICC Priority Issues: Updates

Managing Systemic Risk

"Mitigating Systemic Risk" continues to be a Permanent Priority Issue for PACICC, until such time as some form of federal liquidity backstop mechanism is finally put in place. PACICC continues to highlight the fact that Canada is the only major developed nation with significant earthquake exposure that has no structured plan to address this systemic risk (e.g. public/private partnership or government backstop). Over the past few years, the Federal Government has expressed a commitment to address this issue.

Canada's new government has said that it is committed to strengthening the country in the face of unexpected external threats. This gives us hope that action will finally be taken to address Canada's earthquake exposure. In the interim, we continue to liaise with Finance Canada, OSFI, and other key stakeholders, as appropriate. We stand united with IBC in our advocacy efforts to bring about a solution. As we await action from government, the PACICC team has focused on other "incremental" initiatives to help mitigate systemic risk, including:

- **Compensation association designation –** Finance Canada is reviewing a formal request from our Board that PACICC be designated as a "compensation association" under the *Insurance Companies Act*, enabling PACICC to serve as a trusted counterparty in crisis scenarios
- **New desktop exercise –** Building on the success of last year's partnership with the British Columbia Financial Services Authority (BCFSA) on an insolvency simulation desktop exercise, we will team with OSFI (and a range of senior federal and provincial decision-makers) on another desktop exercise (in mid-December) that will again seek to test the limits of policyholder protection following a major Nat-Cat event
- **Redacted loss exposure data –** At its April meeting, PACICC's Board approved a By-Law amendment (subsequently approved by regulators) that will require Members to provide PACICC with access to redacted loss exposure data, for solvency monitoring purposes. We received strong Member support for this initiative – some 98 percent of respondents approved information sharing in PACICC's January/February industry consultation. This commercially sensitive information will be protected by a newly established and comprehensive Data Governance Policy that will ensure safe acquisition, processing, storage and handling
- **Proposed MCT/BAAT Amendment –** PACICC has proposed to OSFI that it incorporate a specific line in both the Minimum Capital Test (MCT) and the Branch Adequacy of Assets Test (BAAT) to reflect any multi-year PACICC Assessment obligations of PACICC Member Insurers (PACICC Assessment Liabilities). In a period of systemic crisis, OSFI would then be in a position to adjust the capital treatment of such specific obligations, thereby reducing the potential for systemic risk.

Work is continuing in other areas to address systemic risk, including:

- **An Updated Risk Appetite Limit –** The PACICC/BCFSA desktop exercise showed that, in certain scenarios, our Assessment mechanism could be overwhelmed earlier than previous modelling had suggested (our current Board-defined Risk Appetite Limit is $2.8 billion or twice PACICC's maximum assessment capacity, based on Member Insurers' 2024 year-end results). Given this finding, as well as potential changes in our liquidity capacity, it is appropriate for PACICC to revisit its defined Risk Appetite Limit
- **Multiple Perils –** We are discussing with regulatory partners and the Canadian Institute of Actuaries the need to enhance stress testing around sequential events and aftershocks
- **Update our Systemic Risk Model –** PACICC is working on a revised "tipping point" paper, incorporating newly accessible reinsurance information.

None of the above initiatives will enable PACICC to respond to an earthquake with insured losses beyond a "tipping point" threshold. Notwithstanding all of our efforts, a financial/liquidity backstop is still needed in order to protect Canadians from our "peak peril."

Enhancing Resolution Capabilities

The International Association of Insurance Supervisors (IAIS) has defined "resolution" to mean the actions taken by a resolution authority toward an insurer that is no longer viable. These actions are clearly within PACICC's mandate and mission. The Financial Stability Board (FSB) has detailed the key attributes of an "insurance resolution regime," including a resolution authority. Canada lacks a national Authority. Instead, these responsibilities are shared among regulators, PACICC and our sister organization in the Life industry, Assuris. A shared priority for PACICC and OSFI is working through how best to achieve FSB expectations within the context of Canada's federated model.

PACICC's review of FSB key attributes determined that a key step in enhancing our resolution capabilities would be the successful incorporation and chartering of a "Bridge Insurer." Such an entity would meaningfully enhance PACICC's response capabilities in a range of distress/crisis scenarios. We are pleased to note that a very significant milestone was achieved on July 21, when the federal Minister of Finance signed Letters Patent for PACICC's Bridge Insurer – PACICC-SIMA General Insurance Company (PGIC). PACICC was given approval to acquire significant interest and control in PGIC, completing Stage 1 of the application process. As we move into Stage 2, PACICC must now secure formal OSFI approval for PGIC to commence and carry on business.

PGIC's initial Board meeting will take place in October. At this meeting, the new PGIC Board (comprising all Non-Industry Directors of PACICC) will authorize the issuance of shares to PACICC in exchange for a promissory note (serving as the Bridge Insurer's capital base). PGIC will then finalize its application to OSFI for the Superintendent to approve the issuance of shares in consideration for property (given that PACICC will not be paying cash for the shares). Once approved, PGIC will issue shares to PACICC and submit all information to OSFI in support of the order to commence and carry on business. Once satisfied, OSFI will then issue the order for PGIC to commence and carry on business. In parallel, we will also initiate the process of securing licences for the new bridge entity in all provinces and territories of Canada. PGIC will remain a dormant shell entity until called upon to assist with the resolution of a PACICC Member insurer.

PACICC is also 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 soon 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 compensation associations. PACICC will be actively engaged with OSFI and Assuris in the months ahead on how we can support these efforts to enhance resolution planning and crisis management.

Expanding our Financial Capacity – Exploring Medium-Term Capacity Options

PACICC currently has $63.8 million (book value, August 31, 2025) in liquid assets in its Compensation Fund, as well as a $250M standby line of credit facility with a syndicate of Canada's big-six banks. This represents the Corporation's short-term financial capacity. PACICC estimates that this amount would be enough for the Corporation to manage the liquidation of all but the 15-largest PACICC Member Insurers.

PACICC's MoO allows it to levy Assessments on Member Insurers of up to 1.5% of Direct Written Premiums, within any single calendar year. This is PACICC's long-term financial capacity (currently $1.4 billion annually, based on Member Insurers' 2024 year-end results). Over the course of 2024, we engaged with major rating agencies to secure credit ratings for PACICC. Maintaining these ratings (subject to annual review) is inexpensive and consistent with our "low-cost optionality" strategy. Late last year, we secured high investment-grade ratings from two major credit rating agencies. It appears that we are now positioned to secure larger, longer-term liquidity solutions for the industry – enabling PACICC to respond to larger insolvency situations, without contributing to systemic stress in a period of crisis.

PACICC is working with its financial advisors to better understand the steps required to operationalize such debt issuance (accounting treatment, debt structure, etc.). We will be revisiting reinsurance and insurance-linked securities options for contingent capital solutions, as it seems that there have been some developments in the parametric market since PACICC last reviewed this subject area as the pandemic took hold.

At its November 2024 meeting, our Board approved a Memorandum of Operation (MoO) amendment (also subsequently approved by regulators) that will remove unintended obstacles to PACICC's borrowing capacity (beyond "bank" borrowings), and allow for interest payments to be funded via Administrative Assessment and debt repayments through PACICC's General Assessment mechanism.

Annual Inflation Adjustment to PACICC Benefit Limits

PACICC reviews its Coverage and Benefits levels every five years. Annual inflation adjustments ensure that the real value of the level of protection provided by PACICC remains relatively steady over that five-year review period. On July 1, PACICC introduced new inflation-adjusted Claims Limits for 2025, including:

- $530,000 per Personal Property policy (up from $520,000)
- $425,000 per Auto policy (up from $415,000).

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.

Next Emerging Risks Webinar:

Thursday, October 23

Speaker:	**Matt Moore** Senior Vice President, Insurance Institute for Highway Safety / Highway Loss Data Institute
Topic:	Impact of Electric Vehicles on Automobile Safety & Automobile Insurance

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.

Next Forum Meeting:

Thursday, November 27

Keynote:	**Jacqueline Friedland** Executive Director, Risk Assessment and Intervention Hub, Supervision Sector, OSFI
Topic:	Update on Current P&C Insurance Industry Issues
Discussion 1	
Speakers:	**Isabelle LaPalme** CEO, Gallagher Re Canada **Peter Askew** President and CEO, Guy Carpenter Canada **Matt Wolfe** Aon Reinsurance Solutions Canada
Topic:	The 2025 Reinsurance Environment
Discussion 2	
Speakers:	**Greg Lyle** President, Innovative Research Group **Jimmy Jean** Vice President, VP, Strategist & Chief Economist, Desjardins Group
Topic:	How is Canada's economy holding up under stress? / How are Canadians holding up under stress?"

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.

Denika Hall
Editor and graphic design

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