

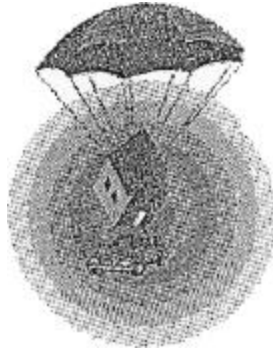
PACICC

protects



How the private companies
which insure the homes, cars and other
property of Canadians work together
to compensate clients in the
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PROPERTY AND CASUALTY INSURANCE COMPENSATION CORPORATION



The private companies which insure the homes, cars and other property of Canadians work together to compensate clients in the unlikely event of an insurer's collapse

When an insurance company fails

For well over a century, hundreds of competing property and casualty insurance companies in Canada have honoured millions of claims -- amounting to billions of dollars -- promptly, and in full. Insurance company failures, although rare, can and do occur. That's why Canada's property and casualty (P&C) insurance companies fund a special program, approved by government regulators, to protect policyholders and claimants.

When a Canadian P&C insurer collapses, the industry-funded, non-profit Property and Casualty Insurance Compensation Corporation (PACICC) will respond to claims of policyholders under most policies. You don't need to apply for protection; it is extended automatically to eligible policies.

Procedures

- a) If your insurer is put into liquidation, you will want to maintain insurance protection by replacing your insurance coverage right away. Claims will be considered by PACICC in respect of events which occur on or before the date of the court order to wind-up the insurer and for up to 45 days afterwards. Of course, if your policy expires or is cancelled within the 45 days, claims will be considered only for events that occurred before your policy expired or was cancelled.
- b) You must exhaust all other sources of insurance coverage before submitting a claim to PACICC.
- c) The maximum recovery from PACICC is \$250,000 with respect to all unpaid claims for losses arising from a single occurrence.
- d) Policy deductibles are applied to the total amount of the insured loss.
- e) PACICC will also refund 70% of the unearned (unexpired) portion of your premium calculated from the date of the wind-up order. The maximum pay out is \$700 per policy.

f) If you choose to be compensated by PACICC, you must assign your claim to PACICC. If your claim exceeds the PACICC limits of \$250,000 and \$700, you may eventually be reimbursed for all or part of the shortfall from funds released by the liquidator. PACICC, however, will have to be reimbursed for the moneys it has paid to you before you will receive more.

For example, if PACICC pays you \$250,000 on an agreed-upon claim of \$400,000 and eventually recovers \$300,000 from the liquidator, PACICC will pay you a further \$50,000, bringing your total recovery to \$300,000. However, if the recovery were to be \$400,000 from the liquidator, you would receive full payment of your claim. Similarly, if PACICC pays you \$630 in respect of an agreed-upon claim of \$900 ($0.7 \times \$900 = \630) for the unexpired portion of your premium and PACICC eventually recovers \$900, PACICC will pay you the additional \$270.

- g) An important advantage of compensation by PACICC, is prompt payment... avoiding the potentially lengthy delay before the liquidator is able to pay any part of your claim. Of course, you may claim directly from the liquidator, if you wish.

Please see "Questions and Answers" next page

Questions and Answers

1) Which insurers are members of PACICC and who funds PACICC?

Unless they are covered by another authorized plan, all property and casualty insurers licensed in a province or territory of Canada to write the classes of insurance covered by PACICC are required to be members of PACICC. The exceptions include insurers licensed to sell only one or more of the following – automobile insurance in Manitoba, Saskatchewan or British Columbia and speciality lines of insurance such as surety, fidelity, marine or aviation. All participating P&C insurance companies pay a small levy to PACICC to cover its running costs. Should an insolvency occur, PACICC responds to valid claims and participating insurance companies are assessed for their share of the cost involved.

For a complete list of the kinds of insurance policies not covered by PACICC, see Schedule 'A' to PACICC's Memorandum of Operation which can be found on its website at www.pacicc.com

2) If any insurer fails, how do I submit a claim?

Contact your broker as soon as possible following the date of the court order declaring the company insolvent. When a company is declared insolvent, a liquidator "winds up" its affairs, including the processing of claims. The liquidator will write to all policyholders and claimants concerning claim procedures. Bear in mind, however, that the liquidator will need some time to examine the insolvent insurer's records to gather the necessary information. If you have purchased your insurance directly from the insolvent insurer without assistance from a broker, notify your insurer's head office of the claim.

3) Does PACICC determine the value of my claim?

No, the liquidator determines the value of your claim, but PACICC will want assurance that the amount is reasonable.

4) What happens if I disagree with the amount offered?

If you disagree with the amount offered and you cannot resolve the matter with the liquidator, you can try to bring an action in court; to do this, you will need the court's prior approval.

5) What happens if I am liable for a claim against me and the claimant doesn't accept the settlement; can I be sued for the full amount? Who will defend me?

Someone having a claim against you has the right to sue for the full amount and is likely to sue you rather than your insurer. You should direct your inquiry to the liquidator of the insolvent insurer. PACICC is involved only with payment of claims where agreement has been reached on the amounts payable.

6) What happens if an insurer cancels its membership in PACICC?

The companies which are members of PACICC can terminate their membership only if they cease to be licensed everywhere in Canada in those classes of insurance which are covered by PACICC.

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