MATT DAVISON, University of Western Ontario, London, ON
A model of contagion in the P&C Insurance industry

The Canadian Property and Casualty Insurance industry is a collection of about 200 firms, none of whom controls more than 10% of the market. In order to safeguard the customers of this industry from harm, the Property and Casualty Insurance Compensation Corporation (PACICC) has been formed. In the unlikely event that an insurer becomes insolvent, PACICC pays any outstanding claims to that insurer as well as refunding unearned insurance premia. The funds for this are obtained by an after-the-fact levy on the surviving members. This levy leaves the industry at risk of contagion—healthy companies being forced into insolvency to pay this levy.

This talk presents the results of a data-intensive study done, in conjunction with PACICC, to investigate this contagion risk.

This work is joint with Sharon Wang, Darrell Leadbetter and Lindsay Anderson.