

Automobile Insurance Division

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MEMORANDUM

TO: All Ontario Incorporated Property and Casualty Insurance Companies and Reciprocal Insurance Exchanges

FROM: Dennis Chan, Chief Actuary (Insurance)
Actuarial Services

DATE: December 21, 2012

RE: **2012 MEMORANDUM FOR ACTUARIAL REPORT ON PROPERTY AND CASUALTY INSURANCE BUSINESS**

We have updated the Memorandum for Actuarial Report on Property and Casualty Insurance Business (Instructions). The Actuarial Report, pursuant to subsection 121.13(1) of the *Insurance Act*, must be submitted with the Annual Statements filed under subsection 102(1) of the *Insurance Act*.

With the exception of mutual insurance corporations that are members of the Fire Mutuals Guarantee Fund, all property and casualty insurance companies and reciprocals are required to submit an actuarial valuation report with their annual statements.

This Memorandum describes the actuarial requirements of the Financial Services Commission of Ontario (FSCO) with respect to Appointed Actuary's Report (AAR) on Property and Casualty insurance business. Ontario requirements are mostly the same as those issued by OSFI, except differences in the review procedure and filing directions as noted.

Under Section 5.7.1 of the memorandum, additional commentary on the reserve estimates should be provided on changes due to regulatory reforms, such as the Ontario automobile insurance regulations. Please refer to FSCO Technical Notes for Automobile Insurance Rate and Risk Classification Filings issued October 2012 for Benchmark Reform Loss Cost Adjustment Factors.

This 2012 Memorandum and other relevant documents can be found on our website at <http://www.fsc.gov.on.ca>. Instructions that deserve special attention are highlighted in bold.

Special attention should be made to the educational note issued by the CIA Committee on Property and Casualty Insurance Financial Reporting in November 2012. This educational note discusses aspects in which the Appointed Actuary (AA) should consider, including the change in calculation of Minimum Capital Test or Branch Adequacy of Assets Test (MCT/BAAT) for 2012

to be incorporated into AA's DCAT analysis and the effect of automobile insurance reforms in Ontario and other Jurisdictions. Additional disclosure is required if the guidance has not been followed.

Companies are required to provide both the discounted and undiscounted unpaid claims information in Appendix II – Unpaid Claims and Loss Ratio Analysis Exhibit. This comparison should facilitate further reviews of the changes in the ultimate claims estimates on a discounted basis in future actuarial reports. Although an electronic filing of this exhibit is not required, companies may submit the electronic filing of the exhibit using the commercially available software that produces the P&C-1. Instructions for completing the electronic filing can be found on the OSFI website.

Please send two (2) paper copies of the Report of the Actuary with your annual filing return to the address in the FSCO annual filing instruction letter. For companies who are required to submit the Dynamic Capital Asset Testing report (DCAT), they should also send two (2) paper copies of the report to the same address no later than September 30, 2013. Companies can send an additional electronic copy to FSCO in addition to the two (2) paper copies of the filings.

Please ensure that the Appointed Actuary of your company is provided with a copy of the Memorandum. Should you have any questions or comments, please contact Vivien Chiang, Senior Actuarial Associate, at (416) 590-2095.



Dennis Chan
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