

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 30, 2013

RE: **2013 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.

We outline the following key changes in OSFI's 2013 Memorandum:

1. The Appointed Actuary's opinion required in the AAR in previous years was different from the standard wording specified in the CIA Consolidated Standards of Practice. This year we are requiring the standard form of the opinion. The change to the GAAP opinion reflects the evolution in the acceptance of GAAP statements by financial statement users (including FSCO) since the time the previous opinion was created.
2. The AAR must include the reason of re-submitting AAR (re-submissions only).
3. The AAR is to include disclosure of the reporting relationship of the Appointed Actuary.
4. The following field has been added to the UCLRE analysis exhibit:
 - A drop down in the UCLRE exhibit for accident year or underwriting year reporting;

- In such cases, Line 15 of the “Total” exhibit must be adjusted so that Line 16 (Grand Total) equals to the net unpaid claims and expenses reported on the opinion page.
5. In addition, various minor changes have been made to clarify information requirements. Also, some sections have been relocated in the Memorandum, but with no substantive changes.

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 August 2013 for Benchmark Reform Loss Cost Adjustment Factors.

This 2013 Memorandum and other relevant documents can be found on our website at <http://www.fSCO.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 December 2013. 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 2013 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 (UCLRE). This comparison should facilitate further reviews of the changes in the ultimate claims estimates on a discounted basis in future actuarial reports. Please send the electronic filing of the Report of the Actuary, UCLRE, and the annual filing return to FSCO per instruction in the FSCO annual filing instruction letter. For companies who are required to submit the Dynamic Capital Asset Testing report (DCAT), they should send the electronic copy of the report to FSCO no later than September 30, 2014.

Companies may submit the electronic filing of the exhibit using the commercially available software that produces the P&C-1.

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
Chief Actuary, Insurance
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