

Memorandum

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

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

Date: December 24, 2015

**RE: 2015 Property and Casualty Memorandum
To the appointed actuary**

We have updated the 2015 Property and Casualty Memorandum to the Appointed Actuary (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.

Various changes have been made in OSFI's 2015 Memorandum to improve clarity and better harmonize the Life Memorandum and the P&C Memorandum. While the intention was not to impose additional disclosure requirements, the reorganization and improved readability of the Memorandum may bring existing disclosure requirements to your attention.

Under Section 6.7.1 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, under Bill 15 and Bill 91. Please refer to FSCO Technical Notes for Automobile Insurance Rate and Risk Classification Filings issued September 2015 for Benchmark Reform Loss Cost Adjustment Factors.

This 2015 Memorandum and other relevant documents can be found on our [website](#). 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 October 2015. 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 2016 and the effect of automobile insurance reforms in Ontario and other Jurisdictions. Although the CIA education note in October 2015 has not referred to the amended regulations in Ontario, it

should be noted that the amended regulations for the SAB benefit level changes come into effect on June 1, 2016 while the tort deductible changes and the monetary threshold change came into effect August 1, 2015.

Additional disclosure is required if the CIA 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 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, 2016.

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
Actuarial Services
Automobile Insurance Division