

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 16, 2016

RE: **2016 PROPERTY AND CASUALTY MEMORANDUM
TO THE APPOINTED ACTUARY**

We have updated the 2016 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.

Minor amendments have been made in OSFI's 2016 Memorandum to improve clarity. To be consistent with the Annual Returns, line 9 in the Section "Premium Liabilities" of the Expression of Opinion has been changed from "Unearned Commissions" to "Unearned Commissions + Ceded Deferred Premium Taxes + Ceded Deferred Insurance Operations Expenses".

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 October 2016 for Benchmark Reform Loss Cost Adjustment Factors.

This 2016 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 Canadian Institute of Actuary's (CIA's) Committee on Property and Casualty Insurance Financial Reporting in August 2016. Details regarding the Ontario auto reform were provided in the “Current or Emerging Issues and Other Considerations” section of the CIA Educational Note.

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 that 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, 2017.

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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Automobile Insurance Division