

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 18, 2017

RE: **2017 PROPERTY AND CASUALTY MEMORANDUM
TO THE APPOINTED ACTUARY**

We have updated the 2017 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.

Additional information on reinsurance arrangement is requested in Section 6.5.3a. Disclosure of subsequent events for both claim and premium liabilities are included in Section 6.7.1 "Undiscounted Claim Liabilities" and 6.8 "Premium Liabilities." For the latest Benchmark Ontario Reform Loss Cost Adjustment Factors, please refer to FSCO Technical Notes for Automobile Insurance Rate and Risk Classification Filings issued July 2017 for details.

In Section 7.5 "Disclosure of Compensation," the Appointed Actuaries have been required to disclose their compensation structure. This is to be consistent with the Financial Stability Board's Principles for Sound Compensation Practices, which have been adopted by OSFI.

This 2017 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 October 2017. 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 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, 2018.

For security reasons, e-mail should not be used. Companies should use FSCO’s file transfer facility to upload the electronic copy of the report by making a request to FSCO contact. When a separate electronic report is provided, it is preferable if information can be easily copied by FSCO staff, and thus the report should not be security protected and exhibits should be in a format that can easily be transferred to a spreadsheet.

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