

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 12, 2018

**RE:** **2018 PROPERTY AND CASUALTY MEMORANDUM  
TO THE APPOINTED ACTUARY**

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We have updated the 2018 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.

This 2018 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 2018. Specifically, the Appointed Actuary would consider the potential effect on the valuation of insurance contract liabilities and DCAT due to automobile product reforms. For details on the latest Benchmark Ontario Reform Loss Cost Adjustment Factors, please refer to FSCO Technical Notes for Automobile Insurance Rate and Risk Classification Filings issued September 2018 or after, where applicable.

Additional expectation on the consistency of reported loss development is discussed in Section 6.7.3. Specifically, on a net basis, ultimate loss development is expected to be the same as that

calculated by summing over columns (3) and (6) using data from the UCLR Analysis Exhibit in the current AAR compared to data in prior year AARs. The Appointed Actuary should quantify and explain any difference that is expected due to changes to the presentation of data in the UCLR Analysis Exhibit.

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, 2019.

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 separate electronic report is provided using the secured file transfer facility, it is preferable if information can be easily copied by FSCO staff and thus, the report should not be 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