

Lines that include changes to the Instructions have been highlighted by shading; pages that include changes made in 2006 have "2006" in the lower left corner.

The following changes have been made for 2006:

Instructions*Page*

- VI-20 **Deleted** “Canadian Bond Rating Service”, and footnote.
- VI-47 **Deleted** reference to Page 90.62.
- VIII-1 **Changed** Committee name to “CCIR Forms Committee”.
- IX(a)-2 **Updated**

Annual Return

No changes.

Page 30.71 - Lines 03 to 22 – Grading of Investments (cont'd)

Asset/Guarantor Ratings			
Rating Agency	Commercial Paper	Bonds & Debentures	Preferred Shares
	(at least as high as)		
Moody's Investor Service	P-1	A	Aa
Dominion Bond Rating Service	R-1 (low)	A	Pfd-2
Standard and Poor's Corporation	A-	A	AA

3. Not-Investment Grade

Includes any item not included in the Government Grade or Investment Grade categories or where a credit rating is not available.

- Lines 03 to 12 – Investments: Term Deposits, Bonds and Debentures

Report Treasury Bills, Commercial Paper and other **term deposits, bonds and debentures** in these sections.

- Line 30 – Investment in Real Estate

See instructions for Page 40.70.

Investment in Subsidiaries, Affiliates, Partnerships**- Line 32 – Financial Institutions**

The capital required (column 03) is equal to the book value of the subsidiary (column 02) minus the P&C parent's pro rata share of any "surplus capital" held in the subsidiary, provided that the subsidiary is a regulated financial institution and that the "surplus capital" is available to the parent P&C insurer on a basis acceptable to the regulator.

For example: XYZ P&C Company is a wholly owned Canadian subsidiary of PARENT P&C Company; the Book Value of XYZ on PARENT's Balance Sheet is \$300 (page 30.71, line 32, column 02); the subsidiary XYZ's Excess Capital Available over Capital Required ("surplus capital" for a P&C insurer) is \$175 (page 30.70, line 89, column 01); therefore the capital required on PARENT's page 30.71, line 32, column 03 is \$125 (\$300 minus \$175).

For additional information, refer to your Primary Regulator.

Page 90.22 - Liabilities – Out of Canada

See Instructions for Page 20.20

Page 90.23 - Statement of Income – Out of Canada

See Instructions for Page 20.30

Page 90.64 - Net Claims and Adjustment Expenses – Run-Off – Out of Canada

See Instructions for Page 60.40

**Page 90.66 - Net Claims and Adjustment Expenses – Run-Off – Out of Canada
Discounted**

See Instructions for Page 60.41

Page 90.70 - Reinsurance Ceded – Out of Canada

See Instructions for Page 70.38, and the following comments.

- Column 03 – Country of Business

Refers to the location of the risk. In the case where the assuming insurer participates on risks located in more than one foreign country, the countries should be identified separately and all columns completed on a country-of-business basis.

**- Column 05 – Claims and Adjustment Expense Incurred by Assuming
Insurer**

Claims and adjustment expenses must include appropriate provisions for incurred but not reported (IBNR) losses.

Page 99.10 - Affidavit Verifying Annual Return

Insurers should check with their primary Regulator for jurisdictional requirements.

SECTION VIII

Instructions

The set of Instructions issued in 1996 is a complete replacement of pages previously issued. Lines that include changes from the previous edition have been highlighted with a vertical bar in the left margin.

All readers are encouraged to completely review the 1996 edition.

The **Forms Committee** of the Canadian Council of Insurance Regulators is interested in your comments on any aspect of the Instructions. Please direct your comments to:

Office of the Superintendent of Financial Institutions
Regulatory Information Division
255 Albert Street, 13th floor
OTTAWA, K1A 0H2

Attention: Chairperson,
CCIR **Forms** Committee

Interim and Annual Returns

The Interim and Annual Returns also include some significant revisions for 1996; a revised edition of the Annual Return P&C-1 form was distributed to insurers in June 1996. A few minor corrections have been made to the June 1996 edition, and these are included in the *sample* Returns at the back of the Instructions (after Section X).

Most Regulators are no longer issuing "blank forms", since most insurers are expected to prepare and print Returns to conform with the standards established in the Instructions and illustrated in the *sample* Returns.

Insurers will be advised of any future changes to the Interim and Annual Returns by way of updates to the Instructions, together with copies of the applicable replacement pages for the *sample* Returns.

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