Lines that include changes to the Instructions have been highlighted by shading; pages that include changes made in 2007 have "*2007*" in the lower left corner.

The following changes have been made for 2007:

Instructions

II-4/V-10	Manitoba - **Updated**
II-5	**Changes** made under Electronic Filing and Amended Annual Returns
III-8	**Added** Unrecognized (Assets and Liabilities)
IV-7, 8, 9	**Deleted** Type 3 under Structured Settlements; **changed** CICA Handbook references
V-9	Ontario - **Updated**
Section VI	**Significant updates**. Readers are encouraged to completely review the 2007 updates for this Section.
VIII-1	**Changed** delivery address to 12th floor
IX-i, (a)	**Updated**
IX(f)-1	**Deleted** wording "diskette"
IX(g)	**Significant updates**. Readers are encouraged to completely review the 2007 updates for this Appendix.
IX(h)-1	**Changed** wording "diskette" to "file" or "ASCII file"
IX(i)-1, 2	**Changed** wording "diskette" to "file"; **Updated** list of Interim Return pages
IX(i)-3, 4	**Deleted** instructions for Pages 30.80, 40.05 and 70.35/70.39
IX(k)-1, 2	**Changed** wording "off-balance sheet exposures" to "structured settlements, letters of credit, derivatives and other exposures"; instructions **modified**
Section X	**Deleted**

Annual Return

The following pages include comprehensive changes that were made to the Annual Return in accordance with the new Financial Instruments Accounting Standard: Pages 10.42, 20.20, 20.47(New), 30.40, 30.80, 30.81, 40.05(Deleted), 40.07(New), 40.70, 40.80, 50.50 and 70.39.

Interim Return (effective Q1 2008)

20.30	Line 33 changed to Realized Gains (Losses)
20.47	Wording", net of Income Taxes" deleted
40.07	Column 15 changed to Realized Gains (Losses); Column 19 - wording"Unrealized" added

Deadlines

An Annual Return must be filed in every jurisdiction where the insurer is licensed or registered as follows:

Jurisdiction	**Deadline**	**Number of hard copies required**	**Supplementary diskette required**
Federal	60 days after year-end, except 105 days for reinsurers (*R*)	2	Yes
Newfoundland & Labrador	March 31	**	**
Prince Edward Island	February 28	**	No
Nova Scotia	March 31	**	No
New Brunswick	March 31	1	*
Quebec	March 1, except March 15 for reinsurers (*R*)	1	Yes
Ontario	February 28, except April 15 for reinsurers (*R*)	2(*M*)	Yes
Manitoba	February 28, except March 31 for reinsurers (*R*)	1(*F*)	*
Saskatchewan	February 28	**	No
Alberta	Not applicable	**	No
British Columbia	90 days after year-end, except 105 days for reinsurers (*R*)	**	**
Yukon	March 15	1	No
Northwest Territories	February 28	1	No
Nunavut	February 28	1	No

* *Required if produced*
** *Refer to Section V for limited filing requirements*
(F): Federally registered insurers should refer to Section V for filing requirements.
(R): Insurers whose certificates of registry are limited to reinsurance.
(M): Insurers licensed in Ontario to write only marine business.

Mailing Addresses

See Section IX - Appendix (a) for the mailing addresses of all Regulators.

Penalties for Late Filing

Annual Returns <u>must be received</u> in the office of the Regulator on the due dates. There are penalties for late filing in all jurisdictions. In some jurisdictions, late filing is an offence that may result in prosecution as well as fines.

Electronic Filing

The Canadian Council of Insurance Regulators (CCIR) has undertaken to provide for insurers to file data electronically. The specifications for "diskette/CD-Rom filing" are in Section IX - Appendix (f), (g) and (h).

Supplementary diskette/CD-Rom filing of Annual Returns or electronic filing via a secure means provided by their Regulator is compulsory for all foreign property and casualty insurers that are Federally registered and/or licensed in Quebec and British Columbia, and for foreign insurers licensed in Ontario to write only marine business. Please refer to the schedule on Page II-4 for the requirements of all jurisdictions.

Supplementary diskette/CD-Rom filing of Interim Returns or electronic filing via a secure means provided by their Regulator is also compulsory for Federally registered and Quebec licensed insurers, and for foreign insurers licensed in Ontario to write only marine business.

Interim Returns

See Section IX - Appendix (f) and (i) for Interim Return Instructions.

Amended Annual Returns

If amendments are made to the Annual Return, an amended file, validation report and transmittal form, together with the amended pages (on which the changes have been highlighted) and an updated Affidavit (Page 99.10) must be filed immediately with every jurisdiction where the insurer has filed an original. An updated Auditor's Report may also be required if there are material changes affecting pages 20.10 to 20.60 of the Annual Return.

Salvage and Subrogation Recoverable

Salvage is the residual value that belongs to the insurer as a result of paying an insured's claim for the property covered by a policy issued by the insurer.

Subrogation is the assumption by an insurer of an insured's legal right to collect damages.

Selected Claims Ratio

With respect to the Calculation of Required Margin on Net Unearned Premiums, the claims ratio that the actuary selects as the ratio expected to be experienced under policies issued by the insurer for a particular class of insurance during the unexpired terms of such policies. The selected claims ratio must not be less than the expected claims ratio or except with the approval of the Regulator, the claims ratio selected shall not be less than the claims ratio experienced under the policies with respect to the most recent year.

Structured Settlements

Refer to *Section IV, "Special Topics"*

Unearned Commission

The estimated amount of commission revenue on ceded premiums relating to the coverage period beyond the current year end. Unearned Commissions arising from ceded business must not be reduced by Deferred Commissions arising from direct and assumed business, and must be estimated by class of insurance.

Unrecognized (Assets and Liabilities)

Assets and Liabilities that are not “recognized” as financial instruments under GAAP, and are “off-balance sheet”.

Unregistered Insurer (Company)

Refer to the definition of **Registered Insurer**

Structured Settlements

A structured settlement refers to a contractual arrangement whereby a third party makes periodic payments to a claimant of a P&C insurer (insurer).

The periodic payments are normally funded through purchase by the insurer of an annuity from a life insurance enterprise and are usually arranged so that the payments are tax free in the hands of the claimant.

The insurer may have to report a financial liability and a financial asset on its balance sheet, depending on the type of contractual arrangement, and must disclose the information required in its notes to the financial statements.

There are essentially two types of structured settlements:

Type 1

Type 1 structured settlements have the following characteristics:

a) An annuity is purchased by a insurer who is named as the owner. There is an irrevocable direction from the insurer to the annuity underwriter to make all payments directly to the claimant.

b) Since the annuity is non-commutable, non-assignable and non-transferable, the insurer is not entitled to any annuity payments and there are no rights under the contractual arrangement that would provide any current or future benefit to the insurer.

c) The insurer is released by the claimant to evidence settlement of the claim amount.

d) The insurer remains liable to make payments to the claimant in the event and to the extent the annuity underwriter fails to make payments under the terms and conditions of the annuity and the irrevocable direction given.

Under this type of structured settlement arrangement, the insurer does not have to recognize a liability to the claimant, nor does it have to recognize the annuity as a financial asset. However, the insurer is exposed to credit risk by guaranteeing the obligation of the annuity underwriter to the claimant.

Structured Settlements (cont'd)

According to the CICA Handbook, Section 3861, the insurer should disclose in its notes to the financial statements the terms and conditions, the credit risk and the fair value of this financial guarantee.

Any gain or loss should be recorded as an adjustment of incurred claims expense.

The insurer also should not recognize a financial asset at time of purchase where the terms of the annuity make it commutable in the event the liability to the claimant becomes fully settled or otherwise discharged. In these circumstances, a gain could subsequently arise to the extent there is a residual value after the liability is fully settled.

The existence of a contingent gain in this case should be assessed for disclosure in the notes. The disclosure should be based on Sections 3290 and 3861 of the CICA Handbook with respect to the amount, the nature, the terms and conditions of the contingent gain.

Type 2

Type 2 structured settlements differ from Type 1 in that:

a) The annuity is commutable or assignable or transferable; that is, there is some form of reversionary interest or continuing right to a benefit for the insurer.

b) A legal release is not necessarily obtained from the claimant.

The commutation rights of the insurer have the potential for terminating the claimant's right to future payments in advance of the annuity being exhausted.

The extent of the rights held by the insurer sometimes indicates the insurer has contracted with the annuity underwriter to provide only administrative services with respect to the periodic payments.

Under this type of arrangement, the financial liability must be recognized on the insurer's balance sheet, and the annuity must be recognized as a financial asset.

The annuity should be carried initially at its cost to the insurer and the liability should be measured in the same manner as other outstanding claim liabilities of similar type.

Structured Settlements (cont'd)

According to the CICA Handbook, Section 3861, the insurer should disclose in its notes to the financial statements the terms and conditions, the credit risk and the fair value of the annuities recognized as financial assets on the balance sheet.

Please refer to Section V, *Jurisdictional Requirements*: Federal Guidelines and Bulletins.

Ontario

Other specific instructions necessary to meet Ontario's requirements may be circulated by the Superintendent, to the appropriate insurers, prior to year-end.

Legislation

(1) Corporations Act: R.S.O. 1990 - Part V

(2) Insurance Act: R.S.O. 1990

Regulations to the Insurance Act:
(a) Regulation 669 Financial Statements

Guidelines

Bulletin No. 13/92 - Use of Canadian Depository for Securities Limited
Bulletin No. 01/02 - Investments by Insurers Guideline
Bulletin No. 08/04 - Minimum Capital Test for P&C Insurance Companies

Statutory filings by Foreign insurers licensed in Ontario

Statutory filings (including the Auditor's Report and the Actuary's Report) required to be made by Foreign insurers licensed in Ontario, will only need to be submitted to the Office of the Superintendent of Financial Institutions, Ottawa.

Manitoba

Other specific instructions necessary to meet Manitoba's requirements may be circulated by the Superintendent, to the appropriate insurers, prior to year-end.

Legislation

The Insurance Companies Act: R.S.M. 1987

Regulation to the Insurance Act;
Insurance Company Classes of Insurance

Actuary's Report

Insurers are not required to file their Actuary's Report with the condition that a copy be available at any time upon request.

Language

Filings in either official language are acceptable.

Statutory filings by Federally registered insurers

Statutory filings made by Federally registered insurers, as required by Section 84 of the Act, will only need to be submitted to the Office of the Superintendent of Financial Institutions, Ottawa.

Insurers other than Provincial Insurers and Reciprocal Insurance Exchanges

A report that sets out the particulars of the insurer's business in Manitoba during the year (Section 84). To meet this requirement, insurers must file pages 67.10 and 67.30.

Page 20.10 - Assets

- Line 01 - Cash

The term "cash" includes cash and cash equivalents. It does not include guaranteed investment certificates or term deposits that are not cash equivalents, which are to be included on Page 20.10, line 04.

Insurers must not offset credit balances in one depository institution against debit balances in another depository institution. Netting is allowed only between branches of the same depository institution.

- Line 09 – Investments: – Real Estate

See instructions for Page 40.70.

- Line 10 – Investments: - Other Investments

See instructions for Page 40.80.

- Lines 20 to 27 - Receivables

Receivables must be reported net of allowance for doubtful accounts.

- Line 22 - Instalment Premiums

Policy premiums that are payable over several periods (multiple payments and instalments) should be reported on this line.

Policies that provide for premiums to be paid by instalments should be reported and accounted for in accordance with the term of the policy and not the payment mode.

- Line 30 - Unearned Premiums - Recoverable

The reinsurer's portion of unearned premiums must be reported here. This amount must agree with the total on Page 60.10 line 89 column 03.

<u>Page 20.10</u> - Line 31 - Unpaid Claims and Adjustment Expenses - Recoverable

Recoverables from reinsurers regarding unpaid claims must be reported on a discounted basis.

The portion of recoverables (salvage and subrogation) from third parties that will be payable to reinsurers must be reported as a reduction of "recoverables from reinsurers" reported on this line. The amounts payable to reinsurers must also be reported by class of insurance on Page 60.30 in column 07.

- Line 37 - Other Recoverables on Unpaid Claims

The gross amount of recoverables (salvage and subrogation) estimated to be recoverable from third parties and included on Page 60.30 in columns 05 and 06 must be reported on a discounted basis, on this line if the amount is material. Refer to the example included with the Instructions for Page 60.30.

The amount of any Self-Insured Retention (SIR) recoverable must also be reported on this line. For additional information on SIRs, refer to Section IV of the Instructions.

- Line 41 – Real Estate for Insurer's Own Use

See instructions for Page 40.70.

- Line 43 - Deferred Policy Acquisition Expenses

Acquisition expenses in respect of individual non-cancellable accident and sickness policies must not be reported on line 43. Such contracts are long-term policies, and acquisition expenses may be deferred, where appropriate, using a modified reserving method.

- Line 88 – Other Assets

Record the aggregate amount of all other balance sheet assets not reported above.

<u>Page 20.20</u> – Liabilities and Head Office Account

- Line 13 – Unpaid Claims and Adjustment Expenses

Unpaid Claims and Adjustment Expenses must be reported "gross" and on a discounted basis.

- Line 28 - Other Liabilities

Record the aggregate amount of all other balance sheet liabilities not reported above, including derivative instruments whose mark to market position is negative. See also instructions for Page 50.50, line 50-88.

<u>Page 20.30</u> - Statement of Income

- Line 07 - Service Charges

Insurers must report only service charges to policyholders on this line. Insurers that do not wish to identify service charges separately or are not permitted to do so should continue to include them with premiums on line 01.

- Line 08 - Other

Insurers must report here the amount of policyholder dividends and rating refunds.

Experience rating refunds and retrospective rating credits are not to be deducted from premiums written. The "return premiums" referred to in the heading on Page 60.20 of the Annual Return are premiums returned on cancellation or on amendment of policies. Experience rating refunds and retrospective rating credits are to be treated as a payment to policyholders in the same way as dividends to policyholders.

- Line 10 - Net Claims and Adjustment Expenses

Amounts paid by automobile insurers to provinces for the recovery of health care costs are to be reported as claims on line 10.

- Line 12 - Taxes

Regulatory assessments are to be included with General Expenses on Page 80.20 and not with Taxes.

- Line 20 - Premium Deficiency Adjustments

Adjustments to any premium deficiency liability reported on Page 20.20, line 15 must be reported on this line. An "increase" in the liability would be an expense item on Page 20.30 and a "decrease" would be an income item and should be reported with brackets ( ).

- Line 43 - Other Revenue and Expenses

As an example of the type of income item that should be reported on line 43, some insurers, under the terms of their agreements with reinsurers, are entitled to all or a portion of the interest income earned on deposits that have been placed by the assuming insurers as security for reinsurance assumed. In this situation, the interest income should be reported on line 43; it should not be included with investment operations on line 39.

Investment income received from Facility, Facility Association, Risk Sharing Pool Pool or Plan de Répartition des Risques ("P.R.R.")should be reported on line 43.

Page 20.45 - Head Office Account

Any transitional adjustments / balances from the adoption of a new accounting standard should be reported on line 04 in the year of transition.

Page 20.45 - Reserves

Insurers issuing nuclear risk policies are required to record an additional provision of 100% of net premiums written, less commissions. In the absence of meaningful statistical data on the severity and frequency of losses, regulators consider it appropriate for insurers to reverse this reserve after twenty years.

The provision for earthquake exposures (*Earthquake Reserves Required by Regulators*) is to be reported as two amounts: the *Earthquake Reserve Complement* (ERC) is to be reported on line 90 and the *Earthquake Premium Reserve* (EPR) on line 91.

Page 20.47 – Comprehensive Income (Loss) and Accumulated Other Comprehensive Income (Loss)

Transition Instructions

CICA Handbook section 1530 and amendments section 3251 are effective for fiscal years beginning on or after October 01, 2006. In accordance with GAAP, prior year amounts do not need to be reported in the year of transition, except prior year Currency Translation Account which should be reported on line 46, column 03: Foreign Currency (Net of Hedging Activities). This prior year amount should agree with line 56, column 03 on Page 20.20 in the transition year.

The total transition amount should be allocated to the appropriate line items in Accumulated Other Comprehensive Income (Loss), net of Income Taxes, i.e. Accumulated Gains/Losses on: Available for Sale – Loans, Bonds and Debentures, or Equities, and Foreign Currency (Net of Hedging Activities), i.e. lines 42-44 and line 46. (In the year of adoption, column 01 will include the activity for the year plus the transitional balance.)

General Instructions

All amounts should be reported on an after tax basis.

<u>Page 20.60</u> - Notes to Financial Statements

Notes to the Financial Statements (Pages 20.10 to 20.52 inclusive) are to be reproduced on, or attached to, Page 20.60.

In addition to notes normally required under GAAP, these notes should include the following items, where relevant:

- the existence of "financing reinsurance" arrangements and their financial impact,
- the percentage of the insurer's participation in a pool, and disclosure of its share of the amount of direct premiums written, reinsurance assumed and reinsurance ceded in the pool, and
- the amount by which Deferred Policy Acquisition Expenses have been written down due to a Premium Deficiency. This amount should be broken down by commission expense, commission income, premium taxes and other acquisition expenses, as applicable. The note must also indicate details of the adjustment made to Page 80.10, column 10, lines 09 - 79.

Page 30.40 - **Insurers licensed in Quebec - Computation of Minimum Excess Amount of Assets over Liabilities excluding accumulated other comprehensive income (loss)**

This calculation must be carried out in compliance with the requirements of Sec. 275 of the Quebec Act respecting insurance (R.S.Q., chapter A-32). Every insurer holding a licence to operate in Quebec, regardless of the place of its incorporation, must complete this exhibit.

- Line 01 - Excess (deficiency) of Assets over Liabilities excluding Accumulated Other Comprehensive Income (Loss)

The amounts reported on this line must be calculated by subtracting the amounts indicated on Page 20.20, line 29 and on page 20.20, line 56, from the amounts indicated on line 89 of Page 20.10 (including marine).

- Line 02 - 15% of Net Unpaid Claims and Adjustment Expenses

The amounts entered on this line are obtained by multiplying by 15% the amounts entered on Page 60.30, line 89, column 08 and 50.50, line 50, after deducting the provision for the "accident and sickness" class of insurance.

- Line 03 - 15% of Net Unearned Premiums

The amounts entered on this line are calculated by multiplying by 15% the amounts entered on Page 60.10, line 89, column 04, after deducting the unearned premiums for the "accident and sickness" class of insurance on line 70, column 04, or as calculated on Page 30.45.

- Line 10 - Accounts Receivable due 90 days and over from insurance Agents and Brokers

The amount to be shown here is the total receivables from agents and brokers as of December 31, respecting insurance policies issued before October 1, less the related allowance for doubtful accounts. Note that amounts "In Arrears" on Page 50.20 are now defined as "more than 65 days", while for purposes of Page 30.40, amounts "In Arrears" remain at "due 90 days and over".

- Lines 11 and 12 - Other Accounts Receivable, Premiums receivable from Policyholders and Instalment premiums in arrears

Line 11 refers to other accounts due after deducting the allowance for doubtful accounts. The amount of all accounts in arrears must be entered on this line, after deducting the allowance for doubtful accounts. The same applies to line 12, premiums in arrears and to premiums payable in instalments also in arrears.

<u>Page 30.40</u> - Line 20 - Earthquake Reserve

The amount to be reported on this line is the total of amounts included on lines 90 and 91 of page 20.45 that pertain to the Earthquake Reserve Required by Regulators.

<u>Page 30.45</u> - Insurers licensed in Quebec - Calculation of Required Margin on Net Unearned Premiums

Insurers using the expected claims ratio method to establish the required margin on net unearned premiums must complete this exhibit. For each class of insurance, the insurer must indicate under column 02 of the exhibit the expected claims ratio.

The total calculated (line 89, column 05) must be reported on Page 30.40, line 03, column 01. This exhibit must be completed and signed by the actuary who has evaluated and certified the reserves.

- Column 02 - Expected claims ratio

Claims ratios under column 02 are the ratios expected for the net unearned premiums on the policies issued by the insurer for the classes of insurance indicated.

- Column 03 - Minimum claims ratio

In column 03, the insurer must indicate the claims ratio used for the calculation of the required margin on net unearned premiums. This ratio must not be less than either the ratio in column 02, or the total of 60% of the ratio for the current year and 40% of the ratio for the preceding year.

<u>Page 30.80 and 30.81</u> - Branch Adequacy of Assets Test (BAAT)

Please refer also to OSFI's Guideline *Branch Adequacy of Assets Test*.
Note that all amounts are net of Marine business.

<u>Page 30.80</u> - Branch Adequacy of Assets Test

- Line 01 – Available Assets: Excess of Vested Assets over Net Liabilities

"Vested Assets" is the amount reported on Page 20.10, Line 89, Column 02.
"Net Liabilities" is equal to Total Liabilities reported on Page 20.20, Line 29, Column 02, net of the following amounts:

- Recoverable from Reinsurers reported on Page 20.10, Line 30 + 31, Column 01 (excluding Marine);
- Other (allowable) Recoverables on Unpaid Claims, including Salvage & Subrogation and Self Insured Retention reported on Page 20.10, Line 37, Column 01 (excluding Marine), to the extent permitted by OSFI;
- Unearned Commissions reported on Page 20.20, Line 14, Column 02; and,
- a specified portion of Deferred Policy Acquisition Expenses (excluding Marine). This reduction for Deferred Policy Acquisition Expenses (DPAE) is equal to the sum of:

  a) 65% of the net of Deferred Commissions and Unearned Commission (if the net value is zero or negative, there is no adjustment for this item); and,

  b) 100% of Deferred Premium Taxes.

<u>Page 30.80</u> - Line 03 –Available Assets: Receivables from Agents and Policyholders (including Brokers)

Report the total of lines 20, 21 and 22, Page 20.10, column 01 (excluding marine).

- Line 04 – Available Assets; Less: Recoverable from Unregistered Reinsurers in excess of Non-owned Deposits

Report Recoverables from Unregistered Reinsurers in excess of Non-owned Deposits per Page 70.39, line 89, column 14.

- Line 08 – Available Assets: Accumulated Net After-tax fair value gains (losses) on AFS Loans

Record accumulated net after-tax fair value gains (losses) on available for sale loans.

- Line 20 – Margin Required: Assets

Record the total margin required for Assets per Page 30.81, line 89, column 03.

<u>Page 30.80</u> - Line 22 – Margin Required: Unearned Premiums/Unpaid Claims/ Premium Deficiency

Factors for margin required for Unearned Premiums/Unpaid Claims are applied to the net Unearned Premiums and net Unpaid Claims (i.e., net of reinsurance, Salvage and Subrogation, and Self Insured Retentions) by class of insurance. A capital factor is also applied to Premium Deficiency.

Report the sum of the margin required on Unearned Premiums, Unpaid Claims and Premium Deficiency.

<u>Unearned Premiums</u>
The margin requirement for Unearned Premiums is determined as follows:

- for all lines of business, except Accident and Sickness insurance and Mortgage insurance, multiply the greater of the net unearned premiums and 50% of the net written premiums in the last 12 months by 8%;
- for Accident and Sickness insurance, multiply the net exposure with the factor that corresponds to the type of coverage and length of premium guarantee remaining. See Section IX for additional instructions and a sample worksheet; and
- for Mortgage insurance, refer to OSFI's Guideline *Branch Adequacy of Assets Test*.

<u>Unpaid Claims</u>
The margin required on Unpaid Claims is the sum of the margin required for Unpaid Claims by each class of insurance as follows:

- Personal property & commercial property, multiply the net unpaid claims by 5%;
- Automobile – Liability & personal accident, multiply the net unpaid claims by 10%;
- Automobile – Other, multiply the net unpaid claims by 5%;
- Accident and Sickness insurance, multiply the net exposure with the factor that corresponds to the length of benefit period remaining and the duration of the disability. See Section IX for additional instructions and a sample worksheet; and
- all other lines of business, multiply the net unpaid claims by 15%.

<u>Premium Deficiency</u>
A factor of 8% is applied to Premium Deficiency.

<u>Page 30.80</u> - Line 24 – Margin Required: Catastrophes

The margin required is the sum of the margin required for each type of Catastrophes as follows:

1. *Earthquake*

   Include an amount equal to the appropriation of margin that is required pursuant to the OSFI/Autorité earthquake exposure guidelines.

2. *Mortgage Insurance (refer to the OSFI Guideline, Branch Adequacy of Assets Test)*

   Multiply the single premium by the factor that corresponds to the original term of the policy (in years) and the completed policy duration in years.

3. *Nuclear*

   Include an amount equal to 100% of net premiums written, less commissions.

   In the absence of meaningful statistical data on the severity and frequency of losses, regulators consider it appropriate for insurers to reverse this provision after twenty years.

- Line 26 – Margin Required: Reinsurance Ceded to Unregistered Insurers

Record the sum of the amounts entered in column 17 on lines 89 and 95 of Page 70.39.

- Line 28 – Margin Required: Structured Settlements, Letters of Credit, Derivatives and Other Exposures

Multiply the Net Possible Credit Exposure (net of any collateral or guarantees) by the appropriate credit conversion factor and margin. See Section IX for additional instructions on calculating the margin required for Structured Settlements, Letters of Credit, Derivatives and Other Exposures, and a sample worksheet.

<u>Page 30.81</u> - Margin Required for Assets

Report the Balance Sheet Value of all assets, except loans, in column 02. For loans, amortized cost is reported with an adjustment at line 19 to reflect any difference between balance sheet value and amortized cost. Multiply the amount in column 02 by the Factor (%) to determine the Margin Required. Shaded lines in the Margin Required column denote items that are risk weighted at 0% or whose margin requirements are captured elsewhere in the return.

<u>Page 30.81</u> - Lines 03 to 22 – Grading of Investments

All investments recorded in these lines, except line 15, must be categorized as Government, Investment or Not-Investment Grade according to their counterparty risk.

In the case of an asset backed by a guarantee or collateral, the long-term issuer credit rating or, in the case of a government, the long-term sovereign risk rating, of the guarantor is used to determine the category.

The following list, by investment grade, should be used to determine the counterparty risk:

1. Government Grade

Government obligations include securities issued by, loans made to, or securities or loans guaranteed by, and accounts receivable from:

- the federal government or an agent of the Crown;
- a provincial or territorial government of Canada or one of its agents;
- a municipality or school corporation in Canada; and,
- the central government of a foreign country where:
  - the security is rated AAA or, if not rated,
  - the long-term sovereign credit rating of that country is AAA.

2. Investment Grade

A security is treated as Investment Grade if it's rating (excluding securities that are included in the Government Grade category) meets or exceeds the rating listed in the table below. If a rating is not available, or where the rating of the security, or guarantor, is less than the rating listed in the table, it will be assigned a Not-Investment Grade factor.

An insurer wishing to use the rating of another rating agency should seek the approval of OSFI.

<u>Page 30.81</u> - 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.

- Lines 13 to 18 – Loans (at amortized cost)

Loans are reported at amortized cost for the purpose of calculating margin required.

- Line 19 – Loans (at amortized cost): Adjustment to reflect difference between amortized cost and Balance Sheet value of loans

Report the difference between the sum of lines 13 to 18, plus any loans recorded in "Other Investments", less the total balance sheet value of loans reported on Page 20.10.

- Line 30 – Investment in Real Estate

See instructions for Page 40.70.

- Line 36 – Real Estate for Insurer's Own Use

See instructions for Page 40.70.

<u>Page 30.81</u> - Line 37 – Total Vested Assets

The total per column 02 must agree with the total per Page 20.10, line 89, column 02.

- Line 44 – Unmatched Foreign Currency Assets

Report the amount by which the balance sheet amount of vested foreign currency assets exceeds the amount of liabilities denominated in the same currency.

- Line 51 – Other (allowable) Recoverables on Unpaid Claims

Include Salvage & Subrogation and Self-Insured Retentions (SIRs), to the extent permitted, from Page 20.10, line 37, column 01 (excluding Marine).

- Line 54 – Instalment Premiums (not yet due)

Include instalment premiums receivable (see Instructions for Page 20.10, line 22) arising from the recording of premiums in advance of the services being provided.

- Lines 54-56 – Policyholder Receivables

The total of lines 54, 55 & 56 must equal the total of lines 20, 21 & 22, Page 20.10, column 01 (excluding Marine).

Page 40.07 - Summary of Investments

For each investment category listed in the summary the balance sheet value of the total investments should be reported in the columns based on their classification under CICA handbook section 3855.

All amounts must be denominated in Canadian dollars using the appropriate exchange rate in effect at the reporting date.

Refer to OSFI's Accounting Guideline D-10 *"Accounting for Financial Instruments Designated as Fair Value Option"*.

- Column 01 – Held for Trading

Report the balance sheet value of investments classified as Held for Trading under GAAP, CICA Handbook Section 3855.19(f)(i).

- Column 03 – Available for Sale

Report the balance sheet value of investments classified as Available for Sale under GAAP, CICA Handbook Section 3855.9(i), including items that are measured at Amortized Cost.

- Column 05 – Hedges

Report the Balance Sheet Value of derivative instruments that are part of designated cash flow or fair value hedging relationships under GAAP, CICA handbook section 3865. For a Fair Value Hedge, also report the Balance Sheet Value of the hedged item. For a Cash Flow Hedge the Balance Sheet Value of the hedged item should be reported in column 09.

- Column 07 – FV Option

Report the Balance Sheet Value of investments designated as Held for Trading ("Fair Value Option") under GAAP, CICA Handbook Section 3855.19 (f) (ii).

Page 40.07 - Column 09 – Amortized Cost

Report the Balance Sheet Value of investments measured using amortized cost including investments classified as Held to Maturity under GAAP, CICA Handbook Section 3855.19 (g), Cash Flow Hedges, and the Balance Sheet Value of Real Estate Investments.

- Column 12 – Balance Sheet

Sum of columns 01, 03, 05, 07, and 09.

- Column 15 – Realized Gains (Losses)

Record all pre-tax realized gains and losses on the sale of investments, hedge ineffectiveness, any permanent write-down of investments, including impairment losses on investments classified as Available for Sale, and all allowances for loan impairments.

- Column 16 – Income excluding FV Option

Record pre-tax income from investments including interest income, dividend income, unrealized fair value gains (losses) from items classified as Held for Trading & Fair Value Hedges and amortization. Do not include income from fair value gains (losses) for investments in column 07 FV Option.

- Column 19 – Unrealized Gain/Loss From FV Option

Record pre-tax unrealized gains (losses) on investments recorded in column 07 FV Option designated as Held for Trading ("Fair Value Option") under GAAP, CICA Handbook Section 3855.19 (f) (ii).

Aggregate Holdings

Page 40.07 - Lines 01 and 02 – Deposits, Bonds and Debentures

Include items such as Treasury Bills, commercial paper, short-term unsecured promissory notes issued by financial institutions and industrial corporations, interest bearing deposits with a deposit-taking institution, bank deposit certificates, trust company guaranteed investment certificates, bonds and debentures.

Deposits, bonds and debentures that mature, or can be repurchased by the issuing company, within 1 year must be recorded on Line 01. All others (including perpetual bonds) must be included on Line 02.

Page 40.07 - Lines 03 and 04 – Mortgage Loans

Report only those residential and commercial mortgage loans where the total value of the loan(s) outstanding on the property is less than 75% of the market value of the property at the time of writing the loan on line 03. All other mortgages must be recorded on line 04.

The balance sheet value reported for each mortgage loan is the net balance sheet value after deducting any allowance for loan impairment.

- Lines 10 and 11 – Preferred Shares

Record preferred shares that are treated as debt under GAAP on line 10 and all other preferred shares on line 11.

- Line 20 – Investment Real Estate

Complete each column for all Investments in Real Estate reported on Page 40.70. See also instructions for Page 40.70.

- Line 30 – Other Investments

Complete each column for all investments reported on Page 40.80. See also instructions for Page 40.80.

- Line 39 – Total Investments

Amount reported in column 12 must equal page 20.10, line 19, column 02.

- Line 41 – Foreign Pay Securities

Investments in Canadian and foreign bonds, debentures, shares and other investments whose principal, interest, dividends or payments are denominated in a currency other than Canadian dollars.

Only column 12 is to be completed for this item. Record the total balance sheet value of all investments included in Total Investments (Line 39) that are in Canadian and foreign bonds, debentures, shares and other investments whose principal, interest, dividends or payments are denominated in a currency other than Canadian dollars.

Page 40.07 - Summary of Investments (cont'd)

Individual Holdings **(Excluding government grade investments)**

This section is to be completed for all investments except Government Grade Investments. (For the definition of Government Grade Investments see Page 30.81 – Margin Required for Assets – Lines 03 to 22 – Grading of Investments: Government Grade).

- Lines 50 and 51 – Largest and 2nd Largest Exposure to an Entity or Connected Group

Record the largest (and second largest) exposure to an entity or a connected group of entities that is not a government grade investment.

The exposure is the sum of all loans to and investments in (including debt, equity and derivative securities) that entity or connected group of entities.

An entity is connected with another entity in respect of loans if any 2 of the following 3 conditions are or would be met:

- the source of repayment of the loans would be wholly or substantially dependent on a common source of money;
- the loans would be, in substance, a single loan or would substantially serve the same purpose in the same or a related transaction;
- the loans would be dependent on the same security.

Page 40.70 **- Real Estate**

The split between investment real estate and real estate for own use as shown on this page is in keeping with the balance sheet treatment under GAAP.

If an insurer owns a building, part for its own use and part for investment purposes, then if the usage in part multiplied by the cost of the building:

- is not material, report the entire amount as an Investment Real Estate or as Real Estate For Own Use, depending on its main use;
- is material, the total amount must be apportioned between Investment Real Estate and Real Estate For Own Use segments according to the actual use of the property.

Insurers should indicate which of the real estate items have been allocated between the two categories.

Properties should be listed in accordance with the province or country of location, with sub-totals where applicable. The list should follow the alphabetical order of provinces and territories first, followed by countries other than Canada, where applicable.

Amounts shown in columns 04, 05 and 06 are gross (i.e. including encumbrances, which are shown separately on Page 20.20, line 11).

All amounts must be denominated in Canadian dollars using the appropriate exchange rate in effect at the reporting date.

Page 40.80 **- Other Investments**

Include, where permitted, investments in non-financial investments including, but not limited to, precious metals, coins and art.

Also include positive mark to market derivative instruments and other recognized financial investments not included in other investment categories including letters of credit and guarantees. For these items attach to the insurer's Annual Return the following details for each type and class of instrument held during the year and outstanding at year-end:

- notional amount and remaining term to maturity;
- the underlying assets;
- whether it is an over-the-counter or exchange traded instrument;
- whether the instrument is held for
  - (i) trading purposes
  - (ii) hedging purposes, or
  - (iii) other purposes; and
- the maximum credit risk exposure for each type of instrument.

The notional principal amount is:

- the stated notional amount, except where the stated notional amount is leveraged or enhanced by the structure of the transaction. In these cases, insurers must use the actual or effective notional amount when determining potential future exposure;
- nil, where the credit exposure on single currency floating/floating interest rate swaps would be evaluated solely on the basis of their marked-to-market value; or
- for contracts with multiple exchanges of principal, the sum of the remaining payments.

All amounts must be denominated in Canadian dollars using the appropriate exchange rate in effect at the reporting date.

See also Section IX, Appendix (k) or contact OSFI for further information.

Page 50.20 - Receivable from/payable to Agents and Brokers

To be completed for direct written business only. All amounts receivable from/payable to affiliated brokers must be shown with amounts receivable from/payable to affiliates on Page 50.40, not on this page.

Only information respecting agents and brokers whose accounts represent 10% or more of the total year-end amounts receivable/payable, or whose annual premium volume is 10% or more of total direct written premium, need be listed separately.

The number of agents and brokers reported must be the total of all agents and brokers (other than affiliates) that have written at least one policy during the statement year.

– Other Receivables

Only amounts that represent 10% or more of the total (Line 89) need to be listed separately.

Page 50.30 - Receivable from/payable to Other Insurers

Amounts receivable from/payable to other insurers should include accounts from insurance companies, reinsurers, mutuals, and other insurers where the amounts represent more than 10% of the total. Accounts representing less than 10% may be aggregated. However, amounts receivable from/payable to affiliated insurers must be shown on Page 50.40 in detail.

Amounts due from/to reinsurance intermediaries must be disclosed for each insurer and not as agent or broker balances.

Page 50.40 - Amounts receivable from/payable to Affiliates

Refer to the definition of the term "affiliate" in Section III.

Amounts receivable from/payable to affiliates arising out of insurance, reinsurance and any other activities must be shown for each company.

<u>Page 50.50</u> – Other Liabilities, and Unrecognized Assets and Liabilities

Other Liabilities

- Line 50 – Self-Insured Retention Portion of Unpaid Claims

Report any Self-Insured Retention (SIR) portion of unpaid claims. For additional information on Self-Insured Retention, refer to Section IV of the Instructions.

- Line 88 – Miscellaneous Liabilities

Include items such as: negative mark to market derivative instruments, non-owned assets held on deposit by the insurer and all Other Liabilities recorded on Page 20.20, line 28, except the Self-Insured Retention Portion of Unpaid Claims.

For negative mark to market derivative instruments, attach to the insurer's Annual Return the following details for each type and class of instrument held during the year and outstanding at year-end:

- notional amount and remaining term to maturity;
- the underlying assets / liabilities;
- whether it is an over-the-counter or exchange traded instrument;
- whether the instrument is held for
    - (i) trading purposes
    - (ii) hedging purposes, or
    - (iii) other purposes; and
- the maximum credit risk exposure for each type of instrument.

The notional principal amount is:

- the stated notional amount, except where the stated notional amount is leveraged or enhanced by the structure of the transaction. In these cases, insurers must use the actual or effective notional amount when determining potential future exposure;
- nil, where the credit exposure on single currency floating/floating interest rate swaps would be evaluated solely on the basis of their marked-to-market value; or
- for contracts with multiple exchanges of principal, the sum of the remaining payments.

See also Section IX, Appendix (k) or contact your primary Regulator for further information

Page 50.50 – Other Liabilities, and Unrecognized Assets and Liabilities
(cont'd)

Unrecognized Assets And Liabilities

- Lines 91 and 95 – Unrecognized Assets and Liabilities

Record the notional principal amount of all unrecognized assets and liabilities (except those reported on page 70.40 – Non-owned Assets held on Deposit and Letters of Credit) and attach the following additional information with the insurer's Annual Returns.

The notional principal amount is:

- the stated notional amount, except where the stated notional amount is leveraged or enhanced by the structure of the transaction. In these cases, insurers must use the actual or effective notional amount when determining potential future exposure;
- nil, where the credit exposure on single currency floating/floating interest rate swaps would be evaluated solely on the basis of their marked-to-market value; or
- for contracts with multiple exchanges of principal, the sum of the remaining payments.

The following details for each type and class of instrument held during the year and:

a) outstanding at year-end:
   - notional amount and remaining term to maturity;
   - the underlying assets / liabilities;
   - whether it is an over-the-counter or exchange traded instrument;
   - whether the instrument is held for
     (i) trading purposes
     (ii) hedging purposes, or
     (iii) other purposes; and
   - the maximum credit risk exposure for each type of instrument.

b) not outstanding at year end:
   - notional amount;
   - the underlying assets / liabilities;
   - whether it is an over-the-counter or exchange traded instrument; and
   - whether the instrument was held for:
     (i) trading purposes
     (ii) hedging purposes, or
     (iii) other purposes.

See also Section IX, Appendix (k) or contact OSFI for further information.

<u>Page 60.10</u> - Unearned Premiums

Unearned premiums established at year-end must be sufficient to cover future claims and general expenses related to the unexpired term of the policies. The method of calculation adopted should be applied consistently from year to year.

The unearned premiums and mid-terminal reserves for accident and sickness business must be included with unearned premiums throughout the return.

For additional information on the classes of insurance, refer to Section IX, Appendix (e).

<u>Page 60.30</u> - Claims and Adjustment Expenses - Paid, Current Year and Unpaid, Current and Prior Year

Classes of insurance must not be grouped in this exhibit.

The amounts shown must include both the internal and external claims adjustment expenses. Based on historical experience and other factors that may affect the ultimate incurred claims, a provision must be included for IBNR claims.

- Column 05 and 06

These two columns must include the gross amount of salvage and subrogation estimated to be recoverable from third parties (see summary and example on the following page).

- Column 07

This column must include the portion of salvage and subrogation estimated to be recoverable from third parties that will be payable to reinsurers in accordance with their treaties (see summary and example below).

Reporting salvage and subrogation - summary:

<u>Item</u>	<u>Where reported</u>
Gross amount of recoverables from third parties	Page 20.10, line 37 Page 60.30, column 05 or 06 Page 60.41*
Portion of recoverables due to reinsurers	Page 20.10, line 31 Page 60.30, column 07 Page 60.41*

* or Page 60.40 if the insurer is not reporting Unpaid Claims on a discounted basis

<u>Page 60.30</u> - Claims and Adjustment Expenses - Paid, Current Year and Unpaid, Current and Prior Year (cont'd)

Reporting salvage and subrogation - example:

Assuming an insurer has an unpaid claim of $100,000 and an estimated salvage of $20,000, the following is an example of the reporting method if the insurer has a 60-40 quota-share treaty with a reinsurer:

	Unpaid Claims & Adjustment Expenses 20.20.13.01	Recoverables on Unpaid Claims 20.10.31.01	Other Recoverables 20.10.37.01	Unpaid Claims - Direct or Assumed 60.30.89.05 or 60.30.89.06	Unpaid Claims - Ceded 60.30.89.07	Unpaid Claims - Net 60.30.89.08
Claims	100 000	40 000		100 000	40 000	60 000
Salvage		(8 000)	20 000	(20 000)	(8 000)	(12 000)
Amount reported	**100 000**	**32 000**	**20 000**	**80 000**	**32 000**	**48 000**

- Column 09

This column must include the total unpaid claims (claims, adjustment expenses, and IBNR), net of reinsurance, as reported on the Annual Return for the prior year (lines 51 and 52, column 12, Page 60.41, or Page 60.40 if the insurer is not reporting Unpaid Claims on a discounted basis).

- Column 10

This column must include the net payments made during the current year relative to all claims and adjustment expenses for all prior years.

<u>Page 60.30</u> - Column 13 – Investment Income on Unpaid Claims of Prior Years

Amounts reported in this column are equal to the product obtained by multiplying the average for the year of net unpaid claims and adjustment expenses of prior years (the average of columns 09 and 15) times the Investment Yield (Page 10.60, line 46[(1)]).

If the following formula applies:

(A+B+C+D-E-F) > Average Total Investments
(Page 20.10, sum of lines 01, 02 and 19)

where:

A = the average net[(2)] unpaid claims and adjustment expenses for the year
B = the average net[(2)] unearned premiums for the year
C = the average unearned commissions for the year
D = the average premium deficiency for the year
E = the average deferred policy acquisition expenses for the year, and
F = the average receivables from agents and brokers, policyholders and instalment premiums for the year.

Then the Investment Yield should first be multiplied by the following ratio:

$$\frac{\text{Average Total Investments}}{\text{A+B+C+D-E-F}}$$

(1) Insurers may select a different methodology/investment yield than this default (e.g. companies allocating specific assets to their liabilities or with a material amount of investment income from Facility Association).

(2) Net of reinsurance and salvage and subrogation.

- Column 15

This column must include the total unpaid claims and adjustment expenses, net of reinsurance, determined at the end of the current period, for all prior years.

<u>Classes of Insurance</u>

For additional information on the classes of insurance, refer to Section IX, Appendix (e).

Page 60.40 - Insurers Licensed in Provinces that regulate Marine business - Net Claims and Adjustment Expenses - Run-off (including Marine)

The excess or deficiency in the unpaid claims must be calculated at each prior year-end.

Amounts shown on lines 50-59 must be taken from the insurer's claims records for the current year, and allocated by loss year. Lines 01-49 must be completed on the basis of the figures entered in the Annual Returns of the prior years, unless there has been a prior period adjustment. The prior period adjustments must be allocated to the proper loss year.

Incurred but not reported (IBNR) claims must include their related adjustment expenses allocated to each of the years included in the run-off.

IBNR has been clarified in Section III. Regulators are aware that the term may have had somewhat different meanings for different insurers. For example, some insurers consider this amount to be pure IBNR, that is, only estimated claims that have not been reported. Others may include some "development" reserves or other bulk adjustments. Regulators require that the amount reflect both elements.

The allocation of the total amount of IBNR by year will allow Regulators to review the appropriateness of the allocations and to monitor changes over time.

Just as paid claims are allocated by year of loss in this exhibit, internal adjustment expenses applicable to the settlement of prior years' claims must be allocated to the proper year of loss.

The amount of the Excess or (Deficiency) for a particular year of loss or period is determined by taking the opening unpaid claims and IBNR as shown at the top of the column and subtracting the subsequent paid and the ending unpaid claims and IBNR.

The Excess or (Deficiency) ratio is determined by dividing the amount of the Excess or (Deficiency) by the opening unpaid claims and IBNR. The ratio should be limited to two decimal points.

<u>Page 60.41</u> - Insurers Licensed in Provinces that regulate Marine business - Net Claims & Adjustment Expenses – Run-off – Discounted (including Marine)

The basis for actuarial liability valuation will be altered as a result of the new financial instruments standards commencing in 2007, and it will require several years to accumulate complete run-off information on the new basis. It is recognized that for a period of time there will be data inconsistencies in the run-off data. The inconsistencies will be small in comparison to the potential development in unpaid claims and, therefore, the information in this exhibit will continue to be valuable and all columns in this exhibit should be completed.

Amounts shown on lines 50-53 must be taken from the insurer's claims records for the current year, and allocated by loss year. Lines 01-49 must be completed on the basis of the figures entered in the Annual Returns of the prior years, where applicable, unless there has been a prior period adjustment. The prior period adjustments must be allocated to the proper loss year.

Incurred but not reported (IBNR) claims must include their related adjustment expenses allocated to each of the years included in the run-off.

IBNR has been clarified in Section III. Regulators are aware that the term may have had somewhat different meanings for different insurers. For example, some insurers consider this amount to be pure IBNR, that is, only estimated claims that have not been reported. Others may include some "development" reserves or other bulk adjustments. Regulators require that the amount reflect both elements.

The allocation of the total amount of IBNR by year will allow Regulators to review the appropriateness of the allocations and to monitor changes over time.

Just as paid claims are allocated by year of loss in this exhibit, internal adjustment expenses applicable to the settlement of prior years' claims must be allocated to the proper year of loss.

The amount of the Excess or (Deficiency) for a particular year of loss or period is determined by taking the opening unpaid claims and IBNR as shown at the top of the column and subtracting the subsequent paids and the ending unpaid claims and IBNR, and adding the related investment income.

The Excess or (Deficiency) ratio is determined by dividing the amount of the Excess or (Deficiency) by the opening unpaid claims and IBNR. The ratio should be limited to two decimal points.

Page 60.41 - Lines 13, 23, 33, 43 and 53 - Investment Income from Unpaid Claims & Adjustment Expenses (including IBNR)

Report the product obtained by multiplying the average net(1) unpaid claims and adjustment expenses (including IBNR) for the year times the Investment Yield selected for the particular calendar year. For the current reporting year, the sum of all prior accident years' investment income allocation on exhibit 60.41, column 10, line 53 must equal the investment income allocated to prior years' claims for the year on exhibit 60.30, column 13, line 89. (Refer also to the Instructions for Page 60.30, column 13, where applicable).

(1) Net of reinsurance and salvage & subrogation

Page 60.42 - Net Claims and Adjustment Expenses - Run-off (excluding Marine)

Refer to the Instructions for Page 60.40

Page 60.43 - Net Claims and Adjustment Expenses - Run-off – Discounted (excluding Marine)

Refer to the Instructions for Page 60.41

Page 60.50 - Adjustment Expenses

As mentioned in connection with completing Page 60.40, the portion of internal adjustment expenses applicable to prior years' claims must be written off against previously established loss provisions. Again, in principle, this is no different from external adjustment expenses, although it may be somewhat more difficult to determine how internal adjustment expenses must be apportioned to prior years' claim provisions. Insurers should have their cost accounting systems set up to estimate actual internal claims adjustment expenses, by year of claim. Alternatively, insurers may wish to allocate internal adjustment expenses in respect of prior years' losses on the basis of actual losses paid by year of claim.

Reinsurers that reimburse adjustment expenses on claims ceded to them must include these reimbursements as "claims incurred" (not as "adjustment expenses" in this exhibit).

Lines 02 and 20 are used to adjust lines 01 and 19 for the effect of reinsurance ceded.
Lines 01 and19 include direct and assumed adjustment expenses.

Line 59 relates to the adjustment expenses included on line 10 of the Statement of Income.

Line 69 must agree with Page 80.20, line 89, column 06.

<u>Page 67.10</u> - Provincial and Territorial Exhibit of Premiums Written

- Line 01 – Licensed (Y/N)

Insurers must answer “Yes” or “No” in each of Columns 01-14, based on whether or not the insurer was licensed in the applicable jurisdiction as at the end of the year of the Annual Return.

- Line 99 - Dividends

Dividends must be reported on a direct incurred basis.

<u>Pages 67.10 to 67.30</u> - Provincial and Territorial Exhibits of Premiums and Claims

Insurers are reminded that, unless otherwise directed, a copy of the Annual Return must be filed with all provinces and territories where the insurer is licensed. In addition, a copy of Pages 67.10, 67.20 and 67.30 must be filed with provinces and territories for which direct premiums and/or incurred claims are shown and in which the insurer is not licensed.

For instructions on the completion of Page 67.15, refer to Section V, *Jurisdictional Requirements*: Quebec.

For additional information on the classes of insurance, refer to Section IX, Appendix (e).

<u>Page 70.10</u> - Premiums and Claims - Reinsurance Ceded

The purpose of this exhibit is to compare claims incurred for each type of reinsurance ceded arrangement to premiums earned in respect of each arrangement. In this way the Regulator can assess the approximate profitability of business ceded to reinsurers by type of reinsurance and by major line of business.

Although this exhibit is best completed line by line for each of the regular classes of insurance, any reasonable groupings by lines of business will be acceptable.

Each column is intended to capture premiums earned and claims incurred data concerning a distinct type of reinsurance arrangement entered into by the insurer. For example, in column 02, all the premiums earned for quota share treaties should be included even if there is more than one quota share treaty. The other columns should be completed in the same manner, i.e. all premiums earned for surplus treaties are included together in column 03, etc.

The amount reported on line 89, column 06, "total premiums earned" must be equal to the total premiums ceded to reinsurers plus or minus the change in reinsurance ceded unearned premiums for the year.

<u>Page 70.21</u> - Insurers Licensed in Provinces that regulate Marine business - Summary of Reinsurance (including Marine)

Regulators must be in a position to ascertain that the business ceded/assumed is actually being reported in the Canadian Annual Return of the assuming/ceding insurer. The objective of this exhibit is to ensure that no reinsurance transaction has the effect of reducing the amount of assets that should properly be available in Canada for the protection of policyholders. Insurers must report each affiliated company separately.

In respect of business ceded to/assumed from non-affiliated insurers, where ceded/assumed premiums ceded/assumed claims incurred by a single insurer are less than 10% of the total ceded/assumed premiums ceded/assumed claims incurred, such business can be grouped and shown together on a single line.

Line 91, columns 02 to 05 must equal the corresponding amounts reported on Page 70.35, line 89, columns 02 to 05.

<u>Page 70.23</u> - Summary of Reinsurance (excluding Marine)

Refer to the Instructions for Page 70.21, except that line 91, columns 02 to 05 must equal the corresponding amounts reported on Page 70.39, line 89, columns 02 to 05.

<u>Page 70.35</u> - Insurers Licensed in Provinces that regulate Marine business - Reinsurance Ceded to Unregistered Insurers (including Marine)

The margin to be added in column 06 is in respect only of unearned premiums ceded to, and outstanding losses recoverable from unregistered assuming insurers. The margin requirement does not apply to additional policy provisions, to amounts receivable from the assuming insurer, or to actuarial liabilities of non-cancellable accident and sickness policies and reserves for instalment claims under accident and sickness policies.

Column 07 must include all receivables except for "Outstanding losses recoverable from assuming insurer" shown in column 05.

Column 08 should include amounts reported on the balance sheet as payable to unregistered affiliated or non-affiliated insurers, as well as deposits held in the insurer's bank account; these deposits must also be reported as "other liabilities" on Page 50.50.

Non-owned deposits held on behalf of an unregistered assuming insurer and reported in column 12 of the exhibit must be valued at market value as at the end of the statement year. Insurers may also include the amount of investment income due and accrued respecting these deposits.

Column 12 should be completed only in cases where a special trust account under the control of the Regulator has been established with a Canadian trust company in respect of the unregistered reinsurance under a "trust" agreement prescribed by the Regulator. If cash and securities received from unregistered reinsurers have been co-mingled with the insurer's own funds that are vested in trust, the assets so received should be shown on Page 20.10, column 02 in the appropriate asset categories. In this event, these assets would not appear in column 12. Where cash or securities have been co-mingled with the insurer's assets the associated payable should be included in column 08 with amounts "payable to assuming insurer".

Letters of credit (LOC) available for use, to the extent and under the conditions set out by the Regulator must be reported in column 13. For additional information on LOC/Deposits of Reinsurers, refer to Section IV, "Special Topics", and Section V, “Jurisdictional Requirements” (Quebec).

<u>Page 70.39</u> – Reinsurance Ceded to Unregistered Insurers

- Column 06 – 10% Margin on unearned premiums and outstanding losses recoverable

This margin is only in respect of unearned premiums ceded to, and outstanding losses recoverable from unregistered assuming insurers.

- Column 08 – Payable to assuming insurer

Include deposits held in the insurer's bank account; these deposits must also be reported as "Miscellaneous Other Liabilities" on page 50.50, line 88.

Amounts payable to assuming reinsurers may be deducted from amounts receivable and recoverable in the calculations in columns 14 and 15 only where there is a legal and contractual right of offset.

- Column 12 – Non-owned deposits held as security from assuming insurer

Complete only in cases where a special trust account under the control of OSFI has been established with a Canadian trust company in respect of the unregistered reinsurance under a "trust" agreement prescribed by OSFI.

If cash and securities received from unregistered reinsurers have been co-mingled with the insurer's own funds that are vested in trust, the assets so received should be shown on Page 20.10, column 02 in the appropriate asset categories. In this event, these assets would not appear in column 12. Where cash or securities have been co-mingled with the insurer's assets the associated payable should be included in column 08 with amounts "payable to assuming insurer".

Non-owned deposits held on behalf of an unregistered assuming insurer must be valued at market value as at the end of the statement year, including the amount of investment income due and accrued respecting these deposits.

- Column 16 – Letters of credit held as security from assuming insurer

LOC's may be used to reduce capital otherwise required up to a limit of the total margin on unearned premiums and outstanding losses recoverable (column 06, line 89). For additional information on LOC/Deposits of Reinsurers, refer to Section IV, *Special Topics*.

Page 70.40 - Non-owned Assets held on Deposit and Letters of Credit

Securities held as non-owned deposits should be valued at market value as at the end of the statement year, including the amount of investment income due and accrued respecting these securities.

All other unrecognized assets and liabilities are to be recorded on Page 50.50.

Page 80.10 - Commissions

Insurers are required to calculate and report separately deferred commissions and unearned commissions for the classes of insurance listed on this page. Net commissions attributable to the year must also be reported for these classes.

Deferred commissions must include commissions paid on direct business and on reinsurance assumed.

Unearned commissions arise from commission revenue on reinsurance ceded. The total unearned commissions must be reported on Page 20.20, line 14.

The split of net commissions (line 79, column 10) between commission expense and commission income, is to be shown on lines 80 and 81.

All commissions, including contingent and other non-deferrable commissions, must be shown on this page. Non-deferrable commissions are those that cannot be readily identified as exclusively relating to and varying with the acquisition of premiums and therefore are not recoverable.

All commissions in respect of individual non-cancellable accident and sickness policies and any renewal commission in respect of other accident and sickness policies must be reported as other non-deferrable commissions.

Page 80.20 - Expenses – Insurance Operations

An expense classification is included in Section IX - Appendix (b).

This exhibit should be completed on an incurred basis for all expenses including internal adjustment expenses.

Insurers should analyse their operations to identify all operating expenses that are allocable to the acquisition of business. Accordingly, acquisition expenses that are deferred at the end of the year are to be reported in column 01; acquisition expenses that are not deferred or are attributable to the current year, including deferrals of the previous year, are to be reported in column 02. Expenses that should be reported in column 02 include:

Expenses that vary directly with and are directly related to the acquisition of business (new and renewal premiums written during the accounting period) and can be associated directly with specific revenues; for example:

- Agency
- Inspections and investigations
- Management fees
- Regulatory assessments

Other expenses which may vary indirectly with the acquisition of business but are directly related to the premiums written during the period in which they are incurred; for example:

- Salaries and Employee Benefits of employees in underwriting and policy issue
- Occupancy
- Bureaus and Associations
- Information Technology

Expenses that are not allocated to the acquisition of business (excluding adjustment and investment expenses) are to be reported in column 04.

Any management agreement that also provides for underwriting service and/or claims service and/or investment service must be apportioned to the appropriate type of operating expense on a reasonable basis. Management fees included on line 60 relate to services provided by outside parties, whether with related or non-related parties.

Line 89, column 06 must agree with Page 60.50, line 69.

<u>Pages 99.10 and 99.15</u> - Affidavits Verifying Annual Return

The affidavit on page 99.10 is to be signed by the insurer's Canadian Chief Agent.

The affidavit on page 99.15 is to be signed by the President / Chief Executive Officer of the company and filed with the Annual Return; if it is not possible for the affidavit to be filed with the Annual Return, it must be filed within 30 days of the date that the Annual Return is due.

Each filed copy of the affidavits must bear the original signature of everyone who is required to sign.

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, 12th 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-2 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).

Regulators no longer issue "blank forms", since all 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 relacement pages for the *sample* Returns.

SECTION IX

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Appendix

Alberta

Superintendent of Insurance
Alberta Finance
402 Terrace Building
9515-107 Street
Edmonton, AB T5K 2C3

TEL: (780) 422-1592
FAX: (780) 427-1636
www.finance.gov.ab.ca

British Columbia

Deputy Superintendent of Insurance
Financial Institutions Commission
Suite 1200
13450 102nd Avenue
Surrey, BC V3T 5X3

TEL: (604) 953-5300
FAX: (604) 953-5301
www.fic.gov.bc.ca

Manitoba

Deputy Superintendent of Financial Institutions - Insurance
Dept. of Consumer & Corporate Affairs
1115-405 Broadway Avenue
Winnipeg, MB R3C 3L6

TEL: (204) 945-2542
FAX: (204) 948-2268
www.gov.mb.ca/cca

New Brunswick

Acting Superintendent of Insurance
Department of Justice
Insurance Branch
440 King Street, Room 635
King Tower
Fredericton, NB E3B 5H8

TEL: (506) 453-2541
FAX: (506) 453-7435
www.gnb.ca

Newfoundland & Labrador

Superintendent of Insurance
Dept. of Government Services
2nd Floor West Block Confederation Bldg.
Prince Philip Drive, P.O. Box 8700
St. John's, NL A1B 4J6

TEL: (709) 729-2571
FAX: (709) 729-4151
www.gov.nf.ca

Northwest Territories & Nunavut

Superintendent of Insurance
Treasury Division
Department of Finance
Government of the Northwest Territories
4922 - 48 Street, Third Floor
Yellowknife, NT X1A 2L9

TEL: (867) 873-7308
FAX: (867) 873-0325
www.gov.nt.ca

Nova Scotia

Superintendent of Insurance
Dept. of Finance
Financial Institutions
P.O. Box 2271, 4th Floor
1723 Hollis Street
Halifax, NS B3J 1V1

TEL: (902) 424-6331
FAX: (902) 424-1298
www.gov.ns.ca/enla/fin

Ontario

Chief Executive Officer and
Superintendent of Financial Services
Financial Services Commission of Ontario
5160 Yonge Street
Box 85, 17th Floor
North York, ON M2N 6L9

TEL: (416) 590-7000
FAX: (416) 590-7078
www.fsco.gov.on.ca

Prince Edward Island

Superintendent of Insurance
Department of Attorney General
95 Rochford Street
P.O. Box 2000
Charlottetown, PE C1A 7N8

TEL: (902) 368-4564
FAX: (902) 368-5283
www.gov.pe.ca

Québec

Surintendant de l'encadrement de
la solvabilité
Autorité des marchés financiers
Place de la Cité, Tour Cominar
2640, boul. Laurier, 6e étage
Québec (QC) G1V 5C1

TEL: (418) 525-0558 ext. 4501
FAX: (418) 525-4509
www.lautorite.qc.ca

Saskatchewan

Superintendent of Insurance
Saskatchewan Financial Services
Commission
1919 Saskatchewan Drive, 6th Floor
Regina, SK S4P 4H2

Tel: (306) 787-7881
Fax: (306) 787-9006
www.gov.sk.ca

Yukon

Acting Superintendent of Insurance
Consumer and Safety Services C-5
Government of Yukon
Box 2703
Whitehorse, YT Y1A 2C6

TEL: (867) 667-5257
FAX: (867) 667-3609
www.gov.yk.ca

Federal

Regulatory Information Division
Office of the Superintendent of Financial Institutions Canada
255 Albert Street
12th Floor
Ottawa, ON K1A 0H2

TEL: (613) 990-1889
FAX: (613) 991-6248
www.osfi-bsif.gc.ca

The pages of the Interim Return contain the same datapoints as the corresponding pages of the Annual Return. The Annual Return Filing Specifications contained in Appendix (g) are therefore also applicable to the Interim Return with two modifications: the File Name and the Validation Report.

File Name

The last digit of the eight-digit file name should be replaced with "1", "2" or "3" indicating the 1st, 2nd or 3rd Quarter. For example: the File Name for the First Quarter of 2003 would be: CD567031.NUM.

Validation Report

The report for the Interim Return is the same as the Annual Return with the exception of three datapoints. For example:

Validation Report (P&C-2 Interim)
ABC Insurance Company

This report has been generated from the following data file:

Data file name ----»CD567081
Data created ----»13/05/2008

Datapoint	Amount
20108901	$$$
20202901	$$$
20205901	$$$
20308901	$$$
30408901	$$$
30800901	$$$
30808901	$$$
60208904	$$$
60208911	$$$
70398902	$$$

<u>Contents</u>:

Introduction

These Annual Return Filing Specifications have been prepared to give detailed technical guidance to insurers and software vendors in developing systems for capturing Annual Return data for filing with Regulators.

The Specifications were designed initially for electronic filing by diskette or CD-Rom; however, they may be expanded later to include electronic filing through communication networks.

The Specifications define the characteristics of the data to be submitted and have been designed to be as generic as possible.

The American Standard Code for Information Interchange (ASCII) is used as the data representation standard. Those familiar with systems will know that ASCII can be generated by spreadsheet-based systems and by systems developed in more traditional mainframe or microcomputer-based programming environments.

Specific guidelines on how to transmit files to Regulators are also included in the Specifications.

The Specifications refer to the detailed set of Crosscheck formulae provided in the software package or on OSFI's website. These formulae are to be used as the minimum number of tests within Annual Return preparation software to pre-validate data before the file is submitted.

The Specifications are subject to revision and improvement. Any queries or suggestions should be addressed to the Regulatory Information Division of your Primary Regulator listed in Appendix (a) of Section IX.

Defining Various Forms of Data

The current Annual Return form (P&C-2) consists of **numeric data** in many different formats: whole numbers; amounts rounded to thousands; decimals; ratios and percentages. In addition there is **text data** and **Yes/No answers** to questions. All data, including the required text data and Yes/No answers, will continue to be included in the hard copy Annual Return; diskette/CD-Rom filing or electronic filing via a secure means provided by their Regulator of numeric and text data is a supplement to the complete hard copy Annual Return.

The **data representation standard** used is ASCII (see previous page). Data can be assembled in ASCII format from either spreadsheets or other data processing applications.

These Specifications require that:

a) The data reporting **file** (the complete set of data recorded on the file) consist of ASCII Standard Delimited Format ("SDF") fixed-length **records**;

(b) The **file** be given a unique file name, as described under File Naming and Record Layout (see next page), to identify the insurer and the year of reporting;

c) Each **record**, consisting of a **datapoint address** and a **numeric amount or text**, follow the record layout described under File Naming and Record Layout (see next page);

d) Each **datapoint address** contained in a record be defined using the common three-element system:

pppp(page) / **ll**(line) / **cc**(column)
(see examples under File Naming and Record Layout).

As illustrated under File Naming and Record Layout (see next page), all numeric and text data will be represented in the file in the same formats as prescribed in the Instructions for completing the forms (i.e., figures rounded to thousands should be represented in thousands; ratios to two decimal places should be represented as such, dates should be in the dd/mm/yyyy format etc.). Negative figures in the data will be represented in the file with a leading minus sign.

Note: one "inside datapoint" is located on the Statement of Income, Page 20:30:
20306005 "Income Taxes on Extraordinary Items"

Crosscheck Routines

To benefit fully from receiving data on files, Regulators must be assured that the data are tested by a set of crosscheck routines.

These tests should be designed to ensure that, as a minimum, the relationships of datapoints provided in the software package or on OSFI's website are tested.

Insurers who generate annual returns from their internal systems or from purchased commercial software, should ensure that these tests are included as an integral part of the return generation programs.

File Submission

The procedures for submitting a file to the Regulator are as follows:

The file is to be sent with the hard copy on or before the due date prescribed for the filing of the Annual Return. The file should be well protected in special-purpose diskette or CD-Rom shipping packaging.

The file must be clearly labelled with the name of the insurer, the year being reported on, the name of the file, the date the file was created and the name and telephone number of a contact person.

Suggested label: FOREIGN Insurance Company - 2007
File: CD56707B
Date: 28/02/2008 Phone: (416) 737-1010
Contact: I.M. Able

File Transmittal Form

A **"File Transmittal Form"** (in the format of Appendix (h) in Section IX of these Instructions) is to be completed and submitted with the data filed with the primary Regulator and any other Regulators who may request a copy of the file.

Document Filing Checklist

This report lists other annual regulatory documents that have been enclosed with the diskette filing.

Validation Report

This report is also to be submitted with the ASCII file and transmittal form (see next page).

Validation Report

A **Validation Report** containing a pre-selected sample of datapoints must be generated and printed at the same time that the ASCII file is produced and filed.

The purpose of this report is to give Regulators initial assurance that the file has been produced from the same data used to generate the hard copy.

Insurers are asked to ensure that the printing of this report is incorporated into the programs written to generate the file.

The validation report is to be filed in the format below:

Validation Report (P&C-2)
ABC Insurance Company

This report has been generated from the following data file:

Data file name ----»CD56707B.NUM
Data created ----»28/02/2008

Datapoint	Amount
20108901	$$$
20202901	$$$
20205901	$$$
20308901	$$$
30408901	$$$
30800901	$$$
30808901	$$$
60108904	$$$
60208904	$$$
60208911	$$$
60308908	$$$
60405212	$$$
60435412	$$$
70398902	$$$
80208906	$$$

Name of Insurer ____ Year _________

Return Type: P&C-1 ..... P&C-2 .....
Annual .....
Interim / quarter: 1st ..... 2nd ..... 3rd .....

Contact Person ________________________ Telephone # (____) ______________

Title _________________________________ Facsimile # (____) ______________

Email address ____

Software Vendor ___________________ Version Number ________________

For Annual Returns only, if this is <u>not</u> the first time that an ASCII file is being filed for this Return period, please indicate if it is the:

first revision "B" ..... second revision "C" ..... third revision "D" .....

If a revised file is being submitted, please enclose a printed hard copy of each changed page with the changed datapoints highlighted.

Is the Validation Report attached? ..... (If not, please explain).

The undersigned hereby certifies that, according to the best of his/her knowledge and belief, the datapoint amounts contained in this ASCII file are:

1. the same as those contained in the hard copy of the Annual/Interim Return (also enclosed) or (for jurisdictions accepting Interim Returns on file only);

2. may be used to create an Interim Return that presents fairly the financial position of the Insurer as at _______________ and the results of its operations for the ___ months then ended in accordance with generally accepted accounting principles and statutory provisions that were applied in the preparation of the most recent Annual Return that the Insurer filed with its Canadian Insurance Regulator(s).

Name ____

Title ____

Date ____________________ Signed __________________________

Introduction

The Annual Return Instructions are generally applicable to most aspects of the Interim Return.

The Instructions that follow are intended to cover only those features unique to the Interim Return. If additional information or assistance is required, the applicable Regulator should be contacted at the address listed in Appendix (a).

Filing Deadlines / Requirements

The Interim Return is to be completed and filed with the applicable Jurisdiction (Regulator) on or before the due dates as follows:

Jurisdiction (Regulator)	Hard Copy Required	File Required	Insurer/Reinsurer*	Period Ended	Due Date
Federal	No	One	Federally **registered** Insurers and reinsurers	Jan 31/Mar 31 Apr 30/June 30 July 31/Sept 30	Within 45 days Within 45 days Within 45 days
Quebec	One	One	Insurers **licensed** in Quebec, except reinsurers*	June 30	Aug 15
Quebec	One	One	Reinsurers* **licensed** in Quebec	June 30	Sept 30

**Insurers whose certificates of registry are limited to reinsurance*

Standard Format

Insurers are to complete the latest printed version of the Interim Return approved by the Canadian Council of Insurance Regulators or similar computer-generated pages that conform in appearance, size and content (where required), together with a file (where required). (See pages IX(f)-1 and IX(g)-6 for Filing Specifications and Filing Deadlines / Requirements.)

The Interim Return includes the following pages:

Cover page ... Certification (hard copy)
Page 20.10 ... Assets
20.20 ... Liabilities and Head Office Account
20.30 ... Statement of Income
20.45 ... Head Office Account; Reserves
20.47 … Comprehensive Income (Loss) and AOCI (Loss)
30.40 ... *Minimum Excess Assets over Liabilities (Quebec)
30.45 ... *Required Margin on Net Unearned Premiums (Quebec)
30.47 ... *DPAE & Unearned Commission Adjustment (Quebec)
30.80 ... Branch Adequacy of Assets Test (BAAT)
30.81 ... BAAT: Margin Required for Assets
40.07 … Summary of Investments
60.20 ... Premiums and Claims - Total
67.10 … Premiums Written
67.20 … Premiums Earned
67.30 … Claims Incurred
70.35 ... **Reinsurance Ceded to Unregistered Insurers - including Marine
70.39 ... Reinsurance Ceded to Unregistered Insurers - excluding Marine
80.10 ... Commissions

** Only Insurers that are required to file an Interim Return with Quebec are to complete these pages. All other insurers should not file hard copies of pages 30.40, 30.45, and 30.47.*
*** Complete only if licensed in a Province that regulates Marine business.*

The **name of the insurer** and the **date of the return** should be printed on every page.

Certification: Cover page (hard copy) / File Transmittal Form

The **certification** must be signed by the Chief Agent, or by a senior financial officer whose name would normally appear on Page 10.10 of the Annual Return, preferably the chief financial officer who could be contacted if a Regulator has any questions about the Interim Return.

Generally Accepted Accounting Principles (GAAP)

The Interim Return should be prepared in accordance with GAAP and with the statutory provisions that were applied in the preparation of the most recent Annual Return that the insurer filed with its Canadian Insurance Regulator(s).

Comparative Amounts

Wherever applicable, comparative amounts for the equivalent period ending in the previous year must be entered in the "prior" column.

Note: On page 20.45, the prior period amounts entered on lines 01 and 89, column 02, are the beginning of year and end of period balances, respectively. Thus, unlike the Annual Return, line 01, column 01 is not equal to line 89, column 02.

Quebec Exhibits (Pages 30.40, 30.45 and 30.47)

These pages are to be completed only by **Insurers Licensed in Quebec**.

The words "current year" and "preceding year" in the note at the bottom of page 30.45 are to be understood as periods of 12 months ending as at the date of the Interim Return.

The Quebec exhibits are only to be included in Interim Returns filed with Quebec.

Additional Filings/Detail

The frequency of reporting referred to in these Instructions (semi-annual, quarterly) may be increased for certain insurers, depending on circumstances. Insurers will be advised directly by Regulators who require additional reporting and/or detail.

The margin required for structured settlements, letters of credit, derivatives and other exposures is calculated in a manner similar to the on-balance sheet assets in that the credit risk is multiplied by a counterparty risk factor to arrive at the capital required.

However, unlike most assets, the face amount of structured settlements, letters of credit, derivatives and other exposures does not necessarily reflect the amount of the credit risk. To approximate this credit risk, the face amount/cost of the instrument, net of any collateral or guarantees, is multiplied by a credit conversion factor. The credit conversion factor differs depending on the type of instrument: Structured Settlements (50%); Letters of Credit (financial 100%, performance 50%); Derivatives (100%); and Other Exposures (0% where the commitment less than 1 year; 50% where the commitment is 1 year or more and draw down is uncertain, 100% for other items).

The determination of the counterparty risk categories and the approach for determining the eligibility of collateral and guarantees is the same as it is for other assets.

The following worksheet may be used to calculate the margin requirement to be entered on line 28 of page 30.80. The worksheet does not need to be filed with the regulator, although the regulator may ask for details supporting the figures used to arrive at the margin required figure reported.

For further clarification, P&C insurers should consult OSFI.

Worksheet – Margin Required: Structured Settlements, Letters of Credit, Derivatives and Other Exposures
($000)

		Possible Credit Exposure (01)	Collateral and Guarantees (02)	Credit Conversion Factor (%) (03)	Margin Factor (%) (04)	Margin Required Col. (01-02)x03x04 (05)
Structured Settlements:						
Government Grade ……..	01			50%	0.0%	
Investment Grade ………	02			50%	0.5%	
Not Investment Grade ….	03			50%	4.0%	
Letters of Credit:						
Government Grade ……..	10			Note	0.0%	
Investment Grade ………	11			Note	0.5%	
Not Investment Grade ….	12			Note	4.0%	
Derivatives:						
Government Grade ……..	20			100%	0.0%	
Investment Grade ………	21			100%	0.5%	
Not Investment Grade ….	22			100%	4.0%	
Other Exposures:						
Government Grade ……..	30			Note	0.0%	
Investment Grade ………	31			Note	2.0%	
Not Investment Grade ….	32			Note	8.0%	
Total …………………………..	99					

SECTION X

This Section has been deleted effective October 2007.

Year

(Name of Insurer)

Annual Return

P&C - 2

Foreign
Property and Casualty Insurers

Canadian Business

Uniform Annual Return approved by the Canadian Council of Insurance Regulators

(2007)

Insurer	Year

ANNUAL RETURN
P&C-2
TABLE OF CONTENTS

OTHER INFORMATION (continued)

01	Were any of the assets of the insurer pledged as security or lodged as collateral as at year-end?	☐	Y / N
	If yes, give details (see Section VI of the Annual Return Instructions):		
02	....		
03	....		
04	....		

20	Does the insurer have any significant dependencies not already disclosed in answer(s) to previous questions or in the Notes to Financial Statements?	☐	Y / N
	If yes, give details (see Section VI of the Annual Return Instructions).		
21	....		
22	....		
23	....		
24	....		
25	....		

30	Has the insurer been involved in any transactions relating to any other off-balance sheet instruments during the year?	☐	Y / N
	If yes, attach details (see Section VI of the Annual Return Instructions).		
31	If yes: - were any of these instruments held for other than hedging purposes?	☐	Y / N

Insurer | Year

LIABILITIES, HEAD OFFICE ACCOUNT, RESERVES & AOCI
($'000)

Reference Page			Current Year Total (01)	Current Year Excluding Marine (02)	Prior Year Total (03)	Prior Year Excluding Marine (04)
	LIABILITIES					
	Overdrafts	01				
	Borrowed Money and Accrued Interest	02				
	Payables:					
50.20	Agents and Brokers	03				
	Policyholders	04				
50.30	Other Insurers	05				
50.40	Affiliates	06				
	Expenses due and accrued	07				
	Income Taxes due and accrued	08				
	Other Taxes due and accrued	09				
	Policyholder Dividends and Rating Adjustments	10				
40.70	Encumbrances on Real Estate	11				
60.10	Unearned Premiums	12				
60.30	Unpaid Claims and Adjustment Expenses	13				
80.10	Unearned Commissions	14				
	Premium Deficiency	15				
	Future Income Taxes	21				
50.50	Other Liabilities	28				
	Total Liabilities	29				
	HEAD OFFICE ACCOUNT, RESERVES & AOCI					
20.45	Head Office Account	51				
	....	53				
20.45	Reserves	55				
20.47	Accumulated Other Comprehensive Income (Loss)	56				
	Total Head Office Account, Reserves & AOCI	59				
	TOTAL LIABILITIES, HEAD OFFICE ACCOUNT, RESERVES & AOCI	89				

Insurer	Year

COMPREHENSIVE INCOME (LOSS)
and
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
($'000)

Reference Page			Current Year (01)	Prior Year (03)
	Comprehensive Income (Loss), net of Income Taxes			
20.30	Net Income	01		
	Other Comprehensive Income (Loss):			
	Available for Sale:			
40.07	Change in Unrealized Gains and Losses:			
40.07	- Loans	02		
40.07	- Bonds and Debentures	03		
40.07	- Equities	04		
40.07	Reclassification to Earnings of (Gains) Losses	05		
	Derivatives Designated as Cash Flow Hedges			
	Change in Unrealized Gains and Losses	06		
	Reclassification to Earnings of (Gains) Losses	07		
	Foreign Currency Translation			
	Change in Unrealized Gains and Losses	08		
	Impact of Hedging	09		
	Other	12		
	Total Other Comprehensive Income (Loss)	21		
	Total Comprehensive Income (Loss)	39		

			Current Year (01)	Prior Year (03)
	Accumulated Other Comprehensive Income (Loss), net of Income Taxes			
	Accumulated Gains (Losses) on:			
	Available for Sale:			
	- Loans	42		
	- Bonds and Debentures	43		
	- Equities	44		
	Derivatives Designated as Cash Flow Hedges	45		
	Foreign Currency (Net of Hedging Activities)	46		
	Other	49		
20.20	Balance at end of Year	59		

-- Insurer

----------------- Year

INSURERS LICENSED IN QUEBEC
COMPUTATION OF MINIMUM EXCESS AMOUNT OF ASSETS OVER LIABILITIES EXCLUDING ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
($'000)

		Current Year (01)	Prior Year (02)
Excess (deficiency) of Assets over Liabilities excluding Accumulated Other Comprehensive Income (Loss	01		
EXCESS AMOUNT REQUIRED			
15% of Net Unpaid Claims and Adjustment Expenses, excluding those on Accident and Sickness policies	02		
15% of Net Unearned Premiums, excluding Accident and Sickness, or as calculated on page 30.45, line 89, column 05	03		
Total (line 02 + 03)	09		
ADDITIONAL EXCESS AMOUNT REQUIRED			
Accounts receivable due 90 days and over from insurance Agents and Brokers, less Allowance for doubtful accounts	10		
Other Accounts Receivable in arrears less Allowance for doubtful accounts (with the exception of those reported on page 70.35, column 07)	11		
Premiums receivable from Policyholders and instalment premiums in arrears less Allowance for doubtful accounts	12		
Advances or loans to Directors, Employees or Agents	13		
Other assets (page 20.10, line 88)	14		
Net Deferred Policy Acquisition Expense adjustment (page 30.47, line 96)	15		
Future Income Taxes (page 20.10, line 44)	16		
Required coverage for Reinsurance ceded to Unregistered Insurers (page 70.35, line 89, column 17)	17		
....	18		
....	19		
Earthquake Reserve (page 20.45, line 90 + 91)	20		
Total (lines 10 to 20)	29		
Minimum Excess Amount Required (line 09 + 29)	39		
Margin (deficiency) (line 01 minus line 39)	89		

Insurer	Year
....	....

BRANCH ADEQUACY OF ASSETS TEST
($'000)

		Current Year (01)	Prior Year (02)
Available Assets			
Excess of Vested Assets over Net Liabilities	01		
Receivables from Agents and Policyholders (including Brokers)	03		
Less: Recoverables from Unregistered Reinsurers in excess of Non-owned Deposits	04		
....	06		
....	07		
Less: Accumulated net after-tax fair value gains/(losses) on AFS loans	08		
Total Net Assets Available	09		
Margin Required			
Assets	20		
Unearned Premiums/Unpaid Claims/Premium Deficiency	22		
Catastrophes	24		
Reinsurance Ceded to Unregistered Insurers	26		
Structured Settlements, Letters of Credit, Derivatives and Other Exposures	28		
....	30		
....	32		
Margin Required	39		
Excess Net Assets Available over Margin Required (line 09 minus line 39)	89		
Line 09 as a % of line 39	90		

		Current Year (01)	Prior Year (02)
Monthly pro-rata increase in Net Liabilities			
Increase in Net Liabilities over prior year	98		
Monthly pro-rata increase (line 98/12)	99		

Insurer | Year

BRANCH ADEQUACY OF ASSETS TEST
MARGIN REQUIRED FOR ASSETS
($000)

		Factor (%) (01)	Balance Sheet Value (02)	Margin Required (03)
Vested Assets				
Cash	01	0.00%		
Investment Income Due and Accrued	02	2.00%		
Investments:				
Term Deposits, Bonds and Debentures:				
- Expiring or redeemable in one year or less:				
Government Grade	03	0.00%		
Investment Grade	04	0.50%		
Not-Investment Grade	05	4.00%		
- Expiring or redeemable in more than one year:				
Government Grade	10	0.00%		
Investment Grade	11	2.00%		
Not-Investment Grade	12	8.00%		
Loans: (at amortized cost)				
Government Grade	13	0.00%		
Investment Grade Loans, and Residential Mortgages	14	4.00%		
Commercial Mortgages	15	8.00%		
Other	18	10.00%		
Adjustment to reflect difference between amortized cost and balance sheet value of loans	19			
Preferred Shares:				
Investment Grade	21	4.00%		
Not-Investment Grade	22	15.00%		
Common Shares	27	15.00%		
Investment in Real Estate	30	15.00%		
Other Investments	35	Note		
Real Estate for Insurer's own use	36	8.00%		
Total - Vested Assets	37			
Foreign currency assets	40			
Foreign currency liabilities	42			
Unmatched foreign currency assets	44	8.00%		
Other Admitted Assets (excluding Marine)				
Recoverable from registered reinsurers:				
- Unearned Premiums	47	0.50%		
- Unpaid Claims	49	2.00%		
Other (allowable) Recoverables on Unpaid Claims	51	15.00%		
Receivables:				
Policyholders (including Agents and Brokers):				
- Instalment Premiums (not yet due)	54	0.00%		
- Outstanding less than 60 days	55	4.00%		
- Outstanding 60 days or more	56	8.00%		
....	60			
Total Margin Required	89			

(Next page is 40.05)

Insurer .... Year ....

SUMMARY OF INVESTMENTS (Vested in Trust)

($'000)

		Fair Value				Amortized Cost	Balance Sheet (01+03+05+07+09)	Recognized Gains(Losses)	Income excluding FV Option	Gain/(Loss) From FV Option
		Held for Trading	Available for Sale	Hedges	FV Option					
		(01)	(03)	(05)	(07)	(09)	(12)	(15)	(16)	(19)
Aggregate Holdings:										
Deposits, Bonds and Debentures (1 year or less)	01									
Deposits, Bonds and Debentures > 1 year	02									
Mortgage Loans - ≤ 75% Market Value	03									
- Other	04									
Non-Mortgage Loans (consumer/commercial)	07									
Preferred Shares - Debt	10									
- Equity	11									
Common Shares	15									
Investment Real Estate	20									
Other Investments	30									
Total Investments	39									
Foreign Pay Securities	41									
Individual Holdings:										
Largest Exposure to an Entity or Connected Group	50									
2nd Largest Exposure to an Entity or Connected Group	51									

(Next page is 40.70)

.... Insurer

.... Year

REAL ESTATE
($'000)

Description of Property (01)	Year Aquired (02)	Amount of Encumbrances (03)	Actual Cost (04)	Market Value (05)	Balance Sheet Value (06)
INVESTMENT REAL ESTATE Vested in Trust					
Total Vested in Trust 39					
INVESTMENT REAL ESTATE Not Vested in Trust					
Total Investment Real Estate 49					
REAL ESTATE FOR OWN USE Vested in Trust					
Total Vested in Trust 59					
REAL ESTATE FOR OWN USE Not Vested in Trust					
Total Real Estate for Own Use 69					
Total Real Estate 89					

-- Insurer | ---------------- Year

OTHER INVESTMENTS
($'000)

Where/By whom kept (01)	Description (02)	Fair Value (03)	Balance Sheet Value (04)
	Vested in Trust		
Total Vested in Trust 49			
	Not Vested in Trust		
Total other investments 89			

Insurer	Year

OTHER LIABILITIES, and
UNRECOGNIZED ASSETS and LIABILITIES
($'000)

Other liabilities		(02)
Self-Insured Retention (SIR) portion of unpaid claims	50	
Miscellaneous	88	
Total other liabilities	**89**	

Unrecognized assets excluding amounts reported on Page 70.40	**91**	

Unrecognized liabilities excluding amounts reported on Page 70.40	**95**	

(Next page is 60.10)

....
Insurer

....
Year

REINSURANCE CEDED TO UNREGISTERED INSURERS (excluding Marine)
($'000)

Name of assuming insure (01)	Premiums ceded to assuming insurer (02)	Claims incurred by assuming insurer (03)	Unearned premiums ceded to assuming insurer (04)	Outstanding losses recoverable from assuming insurer (05)	10% margin on unearned premiums and outstanding losses recoverable (06)	Payable to assuming insurer (08)	Non-owned deposits held as security from assuming insurer (12)	Recoverables in excess of Non-owned Deposits (04+05 -08-12) where positive (14)	Deposits available to apply to margin (12-(04+05 -08)) where positive (15)	Letters of credit held as security from assuming insurer (16)	Margin Required (06-(15+16)/1.5) where positive (17)
Affiliated											
Total Affiliated.............................. 49											
Non-affiliated											
Total Non-affiliated...................... 69											
TOTAL BUSINESS 89											

(Next page is 70.40)

....
(Date)

....
(Name of Insurer)

Interim Return

P&C - 2

Foreign
Property and Casualty Insurers

Canadian Business

Contents

Certification

I, ... certify that, to the best of my
(print or type)
knowledge, the attached return presents fairly the financial position of the Insurer in respect of its business of insurance in Canada as at .... and the results of its operations in Canada for the .... months then ended in accordance with the generally accepted accounting principles and statutory provisions that were applied in the preparation of the most recent Annual Return that the Insurer filed with its Canadian Insurance Regulator(s).

....
Date Chief Agent

Uniform Return approved by the Canadian Council of Insurance Regulators

Insurer	(Date)

COMPREHENSIVE INCOME (LOSS)
and
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
($'000)

Page			Current Period (01)	Prior Period (03)
	Comprehensive Income (Loss)			
20.30	Net Income	01		
	Other Comprehensive Income (Loss):			
	Available for Sale:			
	Change in Unrealized Gains and Losses:			
	- Loans	02		
	- Bonds and Debentures	03		
	- Equities	04		
	Reclassification to Earnings of (Gains) Losses	05		
	Derivatives Designated as Cash Flow Hedges			
	Change in Unrealized Gains and Losses	06		
	Reclassification to Earnings of (Gains) Losses	07		
	Foreign Currency Translation			
	Change in Unrealized Gains and Losses	08		
	Impact of Hedging	09		
	Other	12		
	Total Other Comprehensive Income (Loss)	21		
	Total Comprehensive Income (Loss)	39		

			Current (01)	Prior (03)
	Accumulated Other Comprehensive Income (Loss)			
	Accumulated Gains (Losses) on:			
	Available for Sale:			
	- Loans	42		
	- Bonds and Debentures	43		
	- Equities	44		
	Derivatives Designated as Cash Flow Hedges	45		
	Foreign Currency (Net of Hedging Activities)	46		
	Other	49		
20.20	Balance at end of Period	59		

(Date)

Insurer

SUMMARY OF INVESTMENTS (Vested in Trust)

($'000)

		Fair Value				Amortized Cost	Balance Sheet Value (01+03+05+07+09)	Realized Gains(Losses)	Income excluding FV Option	Unrealized Gain/(Loss) From FV Option
		Held for Trading	Available for Sale	Hedges	FV Option					
		(01)	(03)	(05)	(07)	(09)	(12)	(15)	(16)	(19)
Aggregate Holdings:										
Deposits, Bonds and Debentures (1 year or less)	01									
Deposits, Bonds and Debentures > 1 year	02									
Mortgage Loans - ≤ 75% Market Value	03									
- Other	04									
Non-Mortgage Loans (consumer/commercial)	07									
Preferred Shares - Debt	10									
- Equity	11									
Common Shares	15									
Investment Real Estate	20									
Other Investments	30									
Total Investments	39									
Foreign Pay Securities	41									
Individual Holdings:										
Largest Exposure to an Entity or Connected Group	50									
2nd Largest Exposure to an Entity or Connected Group	51									

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