



MEMORANDUM

DATE: November 6, 2006

TO: Federally Regulated Property and Casualty Insurance Companies

FROM: August Chow, Senior Director, Actuarial Division, Regulation Sector

SUBJECT: 2006 Memorandum for Actuarial Reports on Property and Casualty Business

COPY: Appointed Actuaries of Federally Registered Property and Casualty Insurance Companies

Every year, we update the Memorandum for Actuarial Reports on Property and Casualty Business pursuant to section 667 of the *Insurance Companies Act*. The Memorandum outlines the guidelines and requirements for the actuaries who are required to prepare reports to be filed with the P&C-1 and P&C-2 annual returns.

This Memorandum is the result of discussions between OSFI and other provincial regulators in an effort to harmonize the insurance regulators' actuarial requirements for companies. This Memorandum can be found on the OSFI website in English and French respectively at:

http://www.osfi-bsif.gc.ca/osfi/index_e.aspx?DetailID=210#memopc

http://www.osfi-bsif.gc.ca/osfi/index_f.aspx?ArticleID=210#Instructions_multirisques

This year's Memorandum has the following changes as compared to the previous year's version:

- A reference to the changes that have been made by the Accounting Standards Board. A new Section 3855 covers Financial Instruments – Recognition and Measurement, which is effective for fiscal years beginning on or after October 1, 2006. There are also changes to Section 1530, Comprehensive Income and Section 3865, Hedges. OSFI has also introduced Guideline D-10 “Accounting for Financial Instruments Designated as Fair Value Option”.
- A reference to the draft revised Joint Policy Statement.
- Changes to the “Commentary” and “Databases and Exhibits” sections.
- Clarification of the lines of business and earned premium reporting requirements in the Unpaid Claims and Loss Ratio Analysis Exhibit.



- Enhanced disclosure of financial reinsurance agreements and OSFI's interpretation of the definition of financial reinsurance.
- Disclosure requirements for external reviews.
- The requirement to comply with Guideline E-15 with respect to Appointed Actuary qualification standards and the draft CIA requirements for Appointed Actuary Certificates.
- A change in the filing requirements for the Appointed Actuary's Report and DCAT to one paper copy from two.

Instructions that deserve special attention are highlighted in bold. Please note that the electronic filing of the Unpaid Claims and Loss Ratio Analysis Exhibit is due at the same time as the Annual Return. Electronic filing instructions for the exhibit are available separately from this Memorandum.

Although discounting of policy liabilities has been required for all federally regulated property and casualty insurance companies since January 1, 2003, the comparison of Actual Experience with Expected Experience must still be provided for the last five years on an **undiscounted basis**.

Instructions for submitting the Appointed Actuary's Report to OSFI are shown in Section 6.3. Note that for security reasons, e-mail should not be used.

Should you have any questions, please do not hesitate to contact Patricia Hladun at 416-973-7010, patricia.hladun@osfi-bsif.gc.ca or David Oakden at 416-973-0613, david.oakden@osfi-bsif.gc.ca.

A hard copy of this Memorandum can be obtained upon request; please send your request to Eleanor Reubins at 416-973-3680, by fax to 416-952-0664 or at eleanor.reubins@osfi-bsif.gc.ca.

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