SECTION VI

Detailed instructions are provided to assist insurers in clarifying filing requirements; they are not provided for every page or field in the P&C return.

The instructions are applicable to all insurers regardless of their jurisdiction of incorporation, unless specified otherwise in this section or in "Section V - Jurisdictional Requirements."

Reference page numbers in the left hand column of certain pages of the P&C return indicate the supporting exhibit pertaining to the particular statement item. For these items, the insurer should also refer to the instructions in this section for the page number of the supporting exhibit.

All references to "pages" refer to pages of the P&C return.

Insurers are required to include the reference numbers to applicable note disclosures in the Financial Statement (FS) Notes Reference**,** in the second column on the left-hand side of certain pages of the P&C return.

Any reference to "section" refers to a part of these instructions. Statutory reference to a section of legislation will be presented as "sec."

Please refer to Section II for instructions on how to embed objects within the special Excel file.

Page 10.10 - Contact

The contact is the person primarily responsible for the preparation of the P&C return who can answer questions from regulators.

- Head Office and Chief Agency

In addition to the address of the Head Office and Chief Agency in Canada, the mailing address, telephone number and fax number of the Chief Agency in Canada are required.

Page 10.10 **- Officers**

The full name of the officer and the postal address of his/her residence (not business) must be sufficiently complete to serve as a mailing address.

A complete list of all officers is not required.

- External Auditor – Partner

The name of the partner in charge of the audit is requested in addition to the name of the accounting firm.

Page 10.15 **– Directors**

Canadian insurers incorporated in a provincial jurisdiction must file this page on a quarterly basis. Canadian Federally regulated insurers are only required to file this page with their 4th quarter filing.

The full name of each director and the postal address of his/her residence (not business) must be sufficiently complete to serve as a mailing address.

Include the names of directors who are also officers. After Chairperson of the Board, Chairperson of the Audit Committee and Chairperson of the Conduct Review Committee, directors should be listed alphabetically.

If there is no Audit Committee or Conduct Review Committee, enter "Not applicable" on the Name line under the Committee.

Page 10.16 **– Annual Corporate Information – Chief Representative in Quebec**

All insurers licenced in Quebec must complete this page.

As stated in sec. 207, chapter A-32, of *An Act Respecting Insurance*, "Every legal person not constituted under an Act of Québec which does not have its head office in Québec shall, when applying for a license, appoint a chief representative in Québec.

The representative must be a person in authority who is resident in Québec."

Page 10.17 – Annual Corporate Information – Board Committees

This page is required for all provincially incorporated insurers.

The committee name and listing of all of the committee members should be provided for each board committee mandated by law. Additional lines can be added into the form if required.

Page 10.20 - Shareholders

– Line 40 – Change in Ownership

"Substantial" means any share transfer involving 10% or more of the voting rights or any transfer of shares that result in a change of control of the insurer.

- Lines 61 to 89 - Shareholders

When a registered shareholder who holds 10% or more of the shares of the insurer is controlled by another individual or corporation, the name of the individual or corporation that controls the shareholder must be shown in brackets after the name of the direct shareholder.

Similarly, where a substantial shareholder is identified by a nominee name or trust account number, the name of the actual controlling shareholder must be shown in brackets.

For stock insurers, the name of each director must appear in the list of shareholders. Any exceptions (directors without shares) must be explained in a footnote to the list of shareholders.

Some insurers may prefer to submit the requested information by means of a separate, confidential letter. In this case, they should contact their regulator.

Shareholders must be grouped by class of shares owned within each common or preferred share category. With the exception of directors, shareholders owning less than 5% of the shares in one class can be grouped together.

Column 04 "% of Voting Rights" must show the percentage of the total votes that each shareholder holds. This information is required to indicate the actual percentage when the number of shares does not equal the number of votes.

Page 10.30 – Corporate Organization Chart

The corporate organization chart should show the interrelationships between the insurer, its immediate and ultimate parent, and all other associated corporations (upstream and downstream) that are:

- publicly traded companies within the group;
- banks and trust companies within the group;
- other insurance companies within the group;
- insurance companies in which the insurer has a controlling interest (such as joint ventures);
- subsidiaries of the insurer; or
- insurance management companies within the group.

Page 10.40 – Other Information

This page should be filled out on a non-consolidated basis.

– Line 10 – Amendments

This question refers to articles of association and instruments of incorporation.

Page 10.41 – Other Information (cont'd)

This page should be filled out on a consolidated basis.

– Lines 03-70 – Class of Insurance

For additional information on the classes of insurance, refer to "Section III - Definitions."

Page 10.41 – Lines 03-70 – Maximum Policy Limit and Net Retention

The maximum policy limit is the maximum amount of insurance coverage (actual policy limit, not probable or foreseeable maximum loss) that the insurer provided during the reporting period on any one risk in the particular class of insurance. This refers to all risks insured in Canada, including those that are written by the insurer in connection with global business and/or fronted.

Net retention (direct insurers) is the maximum amount of **net** insurance coverage that the insurer retained in the reporting period on any one risk or exposure in the particular class of insurance, after the application of all reinsurance applicable to the risk.

Net retention (reinsurers) The maximum amount of coverage that the reinsurer accepted in the reporting period on any one risk or exposure in the particular class of insurance, either on a given assumed treaty or on a group of treaties covering the same risk or exposure for the same ceding insurer, less all retrocession applicable to the risk.

– Lines 03, 04, 05, 07, 10, 13, 17, 32, 33, 38, 68 – Total Insured Value (column 05)

This column should include the total insured values (TIVs) for all risks in force at the statement date. The amounts reported should be in thousands of dollars ($000s).

For the property class of insurance, it is a measure of total insured physical property losses, i.e. buildings and contents.

For the automobile class of insurance, it is a measure of the total insured value of all vehicles with comprehensive coverage, including any endorsement applicable, where appropriate.

For subscription policies, the reported TIV should be the pro-rated share of the total insured value of the property being insured. If participating on an excess layer, the value reported should be excess of the attachment point.

For marine business, TIV should reflect the estimated value of the cargo (and should be consistent with the value used in pricing the product). The amount should be reported per trip, per ship.

– Lines 88 and 89 - Non-liability Business Reported Under Liability Class of Insurance

Disclose if, on page 60.10, amounts recorded under the liability class of insurance includes any property or auto classes of insurance.

<u>Page 10.41</u> – Line 90 – Discount Rate

The insurer should provide an average discount rate expressed as a percentage for all lines of business. The ratio should be limited to one decimal point and is the same average discount rate calculated and used in the Appointed Actuary's Report.

– Line 91 – Duration of Bonds

The insurer should determine the duration of the bond portfolio reported on page 20.10, lines 04 and 05 and expressed in years. The ratio should be limited to one decimal point and should be the same average duration as used in the minimum capital test calculations for interest rate risk.

<u>Page 10.42</u> – Encumbered Assets

For the purposes of these returns, an asset should be treated as encumbered if a security interest has been granted. A security interest may be created in many ways, including if an asset has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit-enhance any on-balance sheet or off-balance sheet transaction that it cannot be freely withdrawn. Assets pledged that are subject to any restrictions on withdrawal, such as assets that require prior approval before withdrawal or replacement by other assets should be considered encumbered.

Examples of encumbered assets include: providing deposits against reinsurance obligations, mortgaging real estate or derivatives.

Assets used in securities lending activities should be recorded on lines 40 and 45 of this page.

Please refer to "Section V - Jurisdictional Requirements" before creating and reporting a security interest.

- Column 1 – Counterparty Legal Name

Identify the counterparty to an encumbered asset.

- Column 2 – Counterparty Domicile

The name of the jurisdiction in which the counterparty is incorporated, legally registered or the contract identifies as the jurisdiction of governing law.

<u>Page 10.42</u> - Column 3 – Pledged/Lodged as Collateral

Record the type of collateral being provided by the insurer, e.g. cash, government securities, subordinated debt, listed equity instruments.

- Column 4 – Asset Type

Record the type of asset that the collateral is securing (e.g. reinsurance contract, derivative, mortgage.)

- Column 7 – Brief Description of the Encumbrance

Narrative describing the purpose of the security interest being created and any other information relevant for the assessment of the asset encumbrance.

– Line 20 – Significant Dependencies

If the answer to the question on line 20 is “yes,” please indicate on the lines provided (21 - 25) the name(s) of the organization(s) and the nature of each dependency. Significant dependencies are not restricted to related-party transactions.

<u>Page 10.43</u> – Outsourcing and Service Agreements

This page should be filled out on a <u>consolidated</u> basis.

Numerical values for Row 09 should be included for Columns 05 and 06. Additional details on outsourcing agreements may be included in the embedded special Excel file.

- Column 1 – Service Outsourced

Services to be reported include those provided under contract to a party outside of the reporting entity authorized under the relevant insurance legislation in Canada, as described below. For greater clarity, this includes outsourcing contracts/agreements and for branch insurers, management service agreements with home office.

List all outsourced services that are critical to the business of providing insurance, including services outsourced to an affiliated party or head office, and services provided by non-affiliate vendors. Critical services may include, but are not limited to: underwriting, claims management and valuation, investment counselling, administration and accounting services. Data and IT services are considered critical to the business of providing insurance if the insurer uses electronic platforms for claims or underwriting.

List all financially material non-critical outsourced services. Where applicable, these services may be grouped together by functional category (e.g. maintenance, landscaping, cleaning, etc). The financial materiality of the total cost should be assessed and reported if deemed material.

All services provided from affiliated parties should be disclosed.

Page 10.43 **- Column 2 – Provider Name**

The full legal name of the service provider should be reported. Where services are grouped by function, the function should be clearly described. Column 07 can be used to clarify or elaborate on the function description if necessary.

- Column 3 – Provider Head Office Address

The city, subnational jurisdiction (e.g. state or province) and national jurisdiction of the head office of the service provider should be reported.

- Column 4 – Location where services provided

The address(es) of the location where the services are provided should be reported.

- Column 5 – Annual Fee/Cost of Services

The annual fee/cost of services reported should be the total annual contractual obligation, regardless of the start/end date of the contract.

Page 10.60 **– Summary of Selected Financial Data for Five Years**

Canadian insurers are requested to provide data on a consolidated basis for appropriate years where consolidated results and comparatives have been filed. For prior years when non-consolidated results were filed, insurers can report non-consolidated data but should identify it as such within the year column.

Foreign insurers are requested to provide all data on a non-consolidated basis.

Insurers are required to report using IFRS data for years where such data has been filed, including comparatives, and CGAAP data for preceding years. There is no requirement to restate the preceding years.

- Line 01 – Assets/Assets Vested in Trust

Foreign branches should report assets vested in trust on this line.

<u>Page 10.60</u> – Line 04 – Adjusted Equity

This line applies to Canadian insurers only.

"Adjusted equity" is defined as:

Equity (page 20.20, line 49)	Minus	Non-controlling interests (page 20.20, line 48)	Minus	Capital required for catastrophes (page 30.61, line 24)	Minus	Capital required for reinsurance ceded to unregistered insurers (page 30.61, line 26)

– Line 08 – Gross Claims Incurred

The figures must include claims incurred with respect to direct written and reinsurance assumed business.

– Line 31 – Claims Ratio by Year of Accident

This ratio represents incurred claims as a percentage of premiums earned. The claims data for the accident year should be extracted from the claims run-off exhibit for the current year.

Incurred claims	Equals	Amounts paid during year (page 60.41)	Minus	Investment income from UCAE and IBNR for the accident year, from the beginning of the accident year up to the end of the current year (page 60.41)	Plus	Unpaid claims for that accident year at the end of the current year (page 60.41)

Accident year net premiums earned are taken from the appropriate column of page 10.60, line 07, and are the same as the net premiums earned used for the claims ratio by calendar year.

<u>Page 10.60</u> – Line 33 – Expense Ratio

Expense ratio	Equals	(Page 20.30, lines 66 + 68 + 12 + 14 + 16)	Divided by	Net premiums earned

- Line 43 – Overlay approach adjustment for financial instruments (Reclassification from P&L to OCI)

Refer to the instructions for page 20.30, line 48.

– Line 46 – Investment Yield

Investment yield is to be calculated according to the following formula:

$$\text{Yield} = \frac{2(I + PI)}{(V_b+V_e - I - PI)} \text{ X } 100$$

where
I = net investment income including recognized gains (losses) on investments (page 20.30, line 39)
PI = Share of net income (loss) of pooled funds equity accounted (page 20.30, line 47)
V = cash, investment income due and accrued, and total investments (page 20.10, lines 01, 02, 45 and 19, column 01) at the beginning and end of the year

– Line 48 – Return on Equity

This line applies to Canadian insurers only.

Return on equity is to be calculated according to the formula:

$$\text{Return} = \frac{2NI}{(E_b+E_e)} \text{ X } 100$$

where
NI = net income after tax for the year (page 20.30, line 89, column 01)
E = equity at the beginning and end of the year (page 20.20, line 49, columns 01 and 03).

Page 10.60 – Line 74 – What is the company's internal target capital ratio?

For the regulatory definition of the internal target, refer to OSFI's *Guideline A-4 - Internal Target Capital Ratio for Insurance Companies*.

- Lines 50 to 68 – Equity and Other Ratios

These lines apply to Canadian insurers only.

– Line 66 – Agents and Brokers Balances and Amounts Due from Subsidiaries and Associates

Agents and brokers balances and amounts due from subsidiaries and associate	Equals	(Receivables-unaffiliated agents and brokers (page 20.10, line 20)	Plus	Receivables-subsidiaries, associates and joint ventures (page 20.10, line 25))	Divided by	Adjusted equity (page 10.60, line 04)

– Line 68 – Claims Development as a Percentage of Adjusted Equity

Claims development as a percentage of adjusted equity	Equals	Amount excess (deficiency) (page 60.41, line 54, column 10)	Divided by	Adjusted equity (page 10.60, line 04)

- Lines 19 to 27 - Total World-Wide Business

These lines apply to foreign insurers only.

These amounts should be reported, non-consolidated, in the currency of the insurer's home jurisdiction. Please include a description of the currency.

Pages 20.10 to 20.60 – "Consolidated" Financial Statements

For Canadian insurers, the financial statements should be reported on a consolidated basis.

For foreign insurers, the financial statements should be reported on a non-consolidated basis.

The financial statements should be completed in accordance with IFRS.

<u>Page 20.10</u> – Assets

Opening prior year restated: To be completed by insurers that make a retrospective restatement or reclassification of items in accordance with International Accounting Standard (IAS) 1, paragraph 10(f).

- Columns 02, 04 and 06 – Vested in Trust

These columns apply to foreign insurers only and should exclude deposits of reinsurers held in special trust accounts.

– Line 01 – Cash and Cash Equivalents

Insurers must <u>not</u> 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 04 – Investments: Short-Term Investments

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. Investments that mature in one year or less are included on this line.

– Line 05 – Investments: Bonds and Debentures

Include bonds and debentures with a maturity term greater than one year on this line. Investments are split by maturity term into three categories; less than one year, greater than one year and less than or equal to five years, and greater than five years. Note that as an investment nears its maturity date it moves through the three categories.

- Line 09 – Investment Properties

Include right-of-use assets that are considered investment properties.

– Line 20 – Receivables: Unaffiliated Agents and Brokers

See instructions for page 50.20.

<u>Page 20.10</u> – Line 22 – Receivables: 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 23 – Receivables: Other Insurers

Receivables from Other Insurers includes receivables from insurers other than those included in line 25.

– Line 30 – Recoverable from Reinsurers: Unearned Premiums

The reinsurer's portion of unearned premiums must be reported on this line and agree with the total on page 60.10, line 89, column 03.

– Line 31 – Recoverables from Reinsurers: Unpaid Claims and Adjustment Expenses

Recoverables from reinsurers regarding unpaid claims must be reported on a discounted basis where discounting is required by the insurer's primary regulator. Please refer to "Section V - Jurisdictional Requirements" for further guidance.

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 recoverable from reinsurers must also be reported by class of insurance on page 60.30 in column 07.

– Line 37 – Other Recoverables on Unpaid Claims

Refer to the instructions for page 60.30, columns 05 and 06.

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 - Special Topics."

– Line 41 – Property and Equipment

Include right-of-use assets that are considered Property and Equipment.

Also see instructions for page 40.70, lines 79, 80 and 69.

Page 20.10 – Line 43 – Deferred Policy Acquisition Expenses

Line 43 should exclude acquisition expenses in respect of individual non-cancellable accident and sickness policies.

– Line 45 – Investment Accounted for Using the Equity Method: Pooled Funds

Report investment pooled arrangements between affiliated companies accounted using the Equity Method.

- Column 2 – Investment Accounted for Using the Equity Method: Pooled Funds – Vested in Trust (effective Q1 2018)

Use value included in line 34 column 12 on page 40.07. The two data points should provide the same number. This will not impact the total reported assets balance on page 20.10 line 89 column 2.

Line 45, column 2 on page 20.10	**Equals**	Line 34, column 12 on page 40.07

- Line 58 – Defined Benefit Pension Plan

Report defined benefit pension plan net surpluses on this line.

– Line 88 – Other Assets

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

Page 20.20 – Liabilities, Equity, Head Office Account, Reserves & AOCI

Opening prior year restated: To be completed by insurers that make a retrospective restatement or reclassification of items in accordance with IAS 1, paragraph 10(f).

- Line 05 – Payables: Other Insurers

Payables to Other Insurers include payables to insurers other than those included in line 06.

<u>Page 20.20</u> – Line 13 – Unpaid Claims and Adjustment Expenses

Unpaid claims and adjustment expenses must be reported at gross value, and where discounting is required by the insurer's primary regulator, on a discounted basis. Please refer to "Section V - Jurisdictional Requirements" for further guidance.

- Lines 20 and 34

These lines should only be used to report pool arrangements between affiliated companies regulated by the primary Regulator. Do not report regular reinsurance arrangements on these lines.

– Line 22– Self-Insured Retention Portion of Unpaid Claims

Report any SIR portion of unpaid claims. For additional information on SIR, refer to "Section IV - Special Topics."

- Line 23 – Defined Benefit Pension Plan

Report defined benefit pension plan net deficits on this line.

– Line 25– Subordinated Indebtedness

This line applies to Canadian insurers only.

Refer to "Section III - Definitions" for further guidance.

- Line 26 – Preferred Shares – Debt

This line applies to Canadian insurers only.

- Line 28 – Provisions and Other Liabilities

Include lease liabilities.

- Lines 41-89 – Equity

These lines apply to Canadian insurers only.

- Lines 51-79 – Head Office Account, Reserves & AOCI

These lines apply to foreign insurers only.

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

– Line 07 – Service Charges

Report only service charges to policyholders. Insurers that do not identify service charges separately or are not permitted to do so should continue to include these service charges with premiums on line 01.

– Line 08 – Other

Report the amount of policyholder dividends and rating refunds.

Experience rating refunds and retrospective rating credits are not to be deducted from premiums written and must be treated as a payment to policyholders in the same way as dividends to policyholders.

– **Line 62 – Gross Claims and Adjustment Expenses**

The recovery of health care costs paid by automobile insurers to provinces is to be reported as a claims and adjustment expense.

– Line 16 – General Expenses

Regulatory assessments are to be included with general expenses. Refer to instructions for page 80.20.

– Line 20 – Premium Deficiency Adjustments

Adjustments to any premium deficiency liability reported on page 20.20, line 15 must be reported on this line.

– Line 40 – Income (Loss) from Ancillary Operations

This line applies to Canadian insurers only.

There are three datapoints to be completed on this line: current (column 01), prior (column 02) and an inside datapoint (column 05). The inside datapoint is labelled "net of expenses of $'000 ____________".

Page 20.30 – Line 41 – Share of Net Income (Loss) of Subsidiaries, Associates and Joint Ventures

This line applies to Canadian insurers only.

The insurer must report it's pro rata share of the net income (loss) using the equity method of accounting for subsidiaries and associates and, where applicable, joint ventures.

– Line 42 – Gains (Losses) from Fluctuations in Foreign Exchange Rates

Gains or losses should be shown on line 42 unless gains or losses are included with the actual revenue or expense items to which they relate, for example, the payment of certain claims.

– Line 44 – Other Revenues

Revenues that should be reported on line 44 include:

- interest income earned on deposits made by the assuming insurers as security for reinsurance assumed;
- investment income from the Facility, the Facility Association, the Risk Sharing Pool or the *Plan de Répartition des Risques* (P.R.R.);
- refunds received from any reinsurer(s); and
- interest on financing activities.

– Line 46 – Other Expenses

Mutual insurance societies and reciprocal insurance exchanges should report the refunds given to their members based on the year's surplus.

– Line 47 – Share of Net Income (Loss) of Pooled Funds using EquityMethod

Report share of Net Income (Loss) from investment pooled arrangements between affiliated companies accounted using the Equity Method.

Page 20.30 - Line 48 – Overlay approach adjustment for financial instruments (Reclassification from P&L to OCI)

This line applies to recorded realized gains and losses and unrealized gains and losses for financial assets that were previously recorded using the measurement criteria under IAS 39 (*Financial Instruments: Recognition and Measurement*) and now reported temporarily using the IFRS 9 (*Financial Instruments*) **overlay approach** between Jan 1, 2018 and December 31, 2020. The overlay approach option is temporary and is to alleviate the volatility that may arise when applying IFRS 9 before the forthcoming IFRS 17 Insurance Contracts Standard which will be effective January 1, 2021.

Under the overlay approach, an insurer is permitted, but not required to reclassify from P&L to OCI an amount equal to the difference between:

a) The amount reported in P&L when IFRS 9 is applied to qualifying financial assets (that are newly measured at FVPL under IFRS 9); and
b) The amount that would have been reported in P&L if IAS 39 were applied to those assets.

In Canada the Overlay approach applies only to P&C companies.

Page 20.31 - Statement of Income (Budget) (for BC incorporated insurers only)

Only Canadian insurers that are incorporated in the province of British Columbia are required to fill in this schedule.

Report year to date budget to the end of the quarter in the same format as described on page 20.30.

See general instructions under page 20.30.

Page 20.37 - Statement of Income (Annual Budget for Next Fiscal Year) (for BC incorporated insurers only)

Only Canadian insurers/societies that are incorporated in the province of British Columbia are required to fill in this schedule.

Report annual budget numbers for next fiscal year in the same format as described on page 20.030.

See general instructions under page 20.030.

<u>Page 20.42</u> – Comprehensive Income (Loss) and Accumulated Other Comprehensive Income (Loss)

General Instructions

All amounts should be reported on an after-tax basis.

- Lines 15 and 16 – Overlay Approach: Change in Unrealized Gains and Losses related to overlay approach for financial instruments

These lines applies to recorded <u>unrealized gains and losses</u> for financial assets that were previously recorded using the measurement criteria under IAS 39 (*Financial Instruments: Recognition and Measurement*) and now reported temporarily using the IFRS 9 (*Financial Instruments*) **overlay approach** between Jan 1, 2018 and December 31, 2020. The overlay approach option is temporary and is to alleviate the volatility that may arise when applying IFRS 9 before the forthcoming IFRS 17 Insurance Contracts Standard which will be effective January 1, 2021.

- Lines 60 and 62

These lines apply to Canadian insurers only.

<u>Page 20.45</u> - Head Office Account

This table applies to foreign insurers only.

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

- Line 20 – Advances (Returns)

This line represents the equivalent of a capital transfer from (to) the head office.

- Line 21 – Expenses

This line represents the settlement of any expense agreement with the head office.

- Line 22 – Premiums/Claims

This line represents the settlement of any premium or claim transaction with the head office.

<u>Page 20.45</u> - Line 23 – Other

This represents any other transfers not included above.

<u>Page 20.45</u> - Reserves

- Line 96 – Nuclear Reserve

Insurers issuing nuclear risk policies are required to record an additional provision of 100% of net premiums written, less commissions, on line 96. 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 20 years.

- Line 98 – General and Contingency Reserves

This line applies to Canadian insurers only.

<u>Page 20.54</u> - Statement of Changes in Equity

This page applies to Canadian insurers only.

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

In addition to the notes normally required under the applicable accounting standards, 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 to 79.

Page 20.70 – External Auditor Reports

The External Auditor Report for the financial statements should be addressed to the primary regulator. The External Auditor Report must cover pages 20.10 to 20.60 of the P&C return. This includes the (consolidated) Balance Sheet, Statement of Income, Comprehensive Income (Loss) and Accumulated Other Comprehensive Income (Loss), Statement of Cash Flows, Statement of Changes in Equity and Notes to the Financial Statements.

Canadian insurers are required to provide an annual External Auditor Report for the Minimum Capital Test (MCT), confirm this requirement with your primary regulator or refer to "Section V – Jurisdictional Requirements." Federally regulated branches of foreign insurers are required to provide OSFI with an annual External Auditor Report for the Branch Adequacy of Assets Test (BAAT). The annual audit of the MCT/BAAT is required to be a separate audit report from the one provided for the audited financial statements. For further details, please refer to OSFI's MCT Guideline.

For filing requirements, refer to "Section V - Jurisdictional Requirements."

Page 20.80 – Appointed Actuary's Report

The Appointed Actuary's Report must be signed by the actuary most recently appointed by the insurer's board of directors.

For filing requirements, refer to "Section V - Jurisdictional Requirements."

For additional information, refer to the primary regulator's instructions to the appointed actuary.

Pages 30.61 to 30.92 – Minimum Capital Test (MCT) and Branch Adequacy of Assets Test (BAAT)

This section must be completed in compliance with OSFI's MCT Guideline unless otherwise noted in "Section V - Jurisdictional Requirements."

Insurers incorporated in Quebec must complete this section in compliance with the AMF's guideline on capital adequacy requirements**.**

<u>Page 30.61</u> – Minimum Capital Test/Branch Adequacy of Assets Test: Capital (Margin) Required and MCT (BAAT) Ratio

The MCT must be calculated using financial data based on the scope of consolidation defined in the MCT Guideline.

- Lines 01 and 09

These lines apply to Canadian insurers only

- Lines 11 and 19

These lines apply to foreign insurers only.

- Line 24 – Capital (Margin) Required at Target: Insurance Risk: Catastrophes

Refer to section 4.5 of the MCT Guideline for details.

- Line 52 – Capital (Margin) Required at Target: Less: Diversification Credit

The amount of diversification credit should be calculated based on the formula provided in chapter 8 of the MCT Guideline.

- Line 68 – (Specify) Blank Line

Report the transitional amount for equity derivatives, common shares held short and eligible hedges calculated in accordance with section 1.2.3 of the MCT Guideline, whether positive or negative, divided by 1.5.

<u>Page 30.62</u> - Minimum Capital Test: Capital Available

This page applies to Canadian insurers only.

For further details on capital available, refer to chapter 2 of the MCT Guideline.

<u>Page 30.62</u> – Line 01 – Capital Available: Qualifying category A common shares

Report the total amount of common shares issued and paid that meet the qualifying criteria for inclusion of capital instruments in category A for regulatory capital purposes as per chapter 2 of the MCT Guideline.

- Line 02 – Capital Available: Contributed Surplus

The total amount reported in this line should include contributed surplus resulting from the issuance of category A common shares.

– Line 04 – Accumulated net after-tax fair value gains (losses) in the company's own credit risk

Report the net after-tax impact of changes in fair value due to changes in the company's own credit risk for the company's financial liabilities that are classified as held for trading that were recorded on the income statement prior to the adoption of IFRS 9.

– Line 05 – Capital Available; Retained Earnings; Less: Unrealized Net After-Tax Fair Value Gains (Losses) on Own-Use Properties at Conversion to IFRS – Cost Model

At the point of conversion to IFRS, insurers may have elected to fair value their own use properties as the opening IFRS balance sheet valuation. In this case, unrealized fair value gains at conversion are reflected in equity. These unrealized gains must be deducted from capital available on an after-tax basis. The amount entered in this line at conversion is an on-going deduction to capital available and can only be changed as a result of a sale of own-use properties (owned at the time of IFRS conversion) and the resulting recognition of actual gains (losses).

Line 06 – Capital Available; Retained Earnings; Add: Accumulated Net After-Tax Revaluation Losses in Excess of Gains on Own-Use Properties – Revaluation Model

Where an insurer has chosen to use the revaluation model for own-use properties, there is a possibility that unrealized losses in fair value could exceed unrealized gains. If this occurs, the net loss will be added back to capital available to maintain the value of own-use properties at or near the value when using the cost model.

Page 30.62 – Lines 10 and 11 – Capital Available; Earthquake Reserves; Less: Earthquake EPR not Used as Part of Financial Resources to Cover Exposure

In the case where EPR is not used as part of financial resources to cover a P&C insurer's earthquake risk exposure, i.e. the company has enough financial resources to cover its earthquake risk exposure without the voluntary reserve, the EPR can be deducted from Capital available instead of being added to total capital requirements. For further details, refer to section 4.5.1 of the MCT Guideline.

– Line 16 – Capital Available; Less: Accumulated Net After-Tax Fair Value Gains (Losses) Due to Changes in the Company's Own Credit Risk

Report the net after-tax impact of changes in fair value due to changes in the company's own credit risk for the company's financial liabilities that are classified as held for trading.

– Line 17 – Capital Available; Accumulated Other Comprehensive Income (Loss); Less: Accumulated Net After-Tax Unrealized Gains on Own-Use Properties – Revaluation Surplus

Net after-tax revaluation gains on own-use properties must be deducted from accumulated other comprehensive income.

– Line 18 – Less: Shadow Accounting Impact

If the company has elected to use the shadow accounting option within IFRS, the after tax income effects must be reversed for capital available purposes.

– Lines 20 to 24 – Capital Available; Qualifying Category B and Category C Instruments

The values reported in these lines must be for instruments meeting category B and/or category C qualifying criteria, not exceeding the applicable limits as per chapter 2 of the MCT Guideline. The values reported in these lines also include share premium amounts resulting from the issuance of instruments meeting category B and/or C criteria.

<u>Page 30.62</u> – Lines 30 to 46 – Capital Available

Deductions

For MCT purposes, the definition of associate relates to the notion of significant influence as defined in IFRS and includes the addition of insurance brokers that are economically dependent on the insurer.

Refer to chapter 2 of the MCT Guideline for further details relating to regulatory deductions and adjustments to capital available.

Insurers incorporated in Quebec should refer to Appendix 1 of the AMF's guideline on capital adequacy requirements.

– Lines 36 – Receivables and Recoverables from Unregistered Insurers Not Covered by Acceptable Non-Owned Deposits and LOCs

Report the total from line 29 column 42 from page 70.60.

– Lines 60 and 61 – Validation Test: 40% Limit for Category B and C Capital Instruments and 7% Limit for Category C Instruments

The values in these lines serve as a check to compare the dollar amount reported under category B and category C instruments to the allowable limits as per chapter 2 of the MCT Guideline.

– Lines 70 to 78 – Memo Items

The requested data points in these lines are for information and validation rules purposes.

<u>Page 30.92</u> - Branch Adequacy of Assets Test: Net Assets Available

This page applies to foreign insurers only.

Refer to chapter 3 of the MCT Guideline for further details on net assets available for foreign branches.

- Line 61 – Receivables from agents and policyholders (including brokers)

Only amounts due from unaffiliated brokers are to be reported on line 61.

Page 30.92 - Line 62 – Add: Revaluation Losses in Excess of Gains on Own- Use Properties

Where an insurer has chosen to use the revaluation model for own use properties, there is a possibility that unrealized losses in fair value could exceed unrealized gains. If this occurs, the net loss will be added to available assets to maintain the principal of carrying own use properties at or near the value using cost model.

- Line 63 - Less: Recoverable from Unregistered Reinsurers Not Covered by Acceptable Non-Owned Deposits and LOCs

Report recoverables from unregistered reinsurers in excess of acceptable collateral per page 70.61, line 29, column 42.

- Line 64 – Less: Unrealized Fair Value Gains (Losses) from Own Use Properties at Conversion

At the point of conversion to IFRS, insurers may have elected to fair value their own use properties as the opening IFRS balance sheet valuation. In this case, unrealized fair value gains at conversion are reflected in head office account. These unrealized gains must be deducted from available assets on an after tax basis. The amount entered on this line at conversion is an on-going deduction to available assets and can only be changed as a result of a sale of own use properties (owned at the time of IFRS conversion) and the resulting recognition of actual gains (losses).

- Line 66 – Less: Shadow Accounting Impact

If a branch has elected to use the shadow accounting option within IFRS, the after tax income effects must be reversed for available assets purposes.

- Line 70 – Amounts due from federally regulated insurers and approved reinsurers that can be legally netted against actuarial liabilities

Only amounts that meet the requirements under section 3.1.3 of the MCT Guideline are to be reported on line 70 including a prior review by OSFI of the netting agreement and legal opinions.

<u>Page 30.64</u> - MCT (BAAT) Insurance Risk: Capital (Margin) Required for Unpaid Claims and Premium Liabilities

Refer to chapter 4 of the MCT Guideline for details on capital requirements for insurance risk.

Mortgage insurance companies are not required to complete this page.

The unpaid claims risk margin is calculated on the net amount of risk (i.e. net of any reinsurance, salvage and subrogation, and self-insured retentions) less PfADs multiplied by the risk factors.

The premium liabilities are to be reported after deducting reinsurance recoverables and PfADs. The premium liability risk factors are applied to the greater of the net premium liabilities net of PfADs and 30% of the net written premiums by line of business for the past 12 months.

The total reported in Column 10, line 89 is to be reported on page 30.61, line 22 and the total reported in Column 29, line 89 is to be reported on page 30.61, line 20.

<u>Page 30.65</u> - MCT(BAAT) Insurance Risk: Capital (Margin) Required for Accident and Sickness Business

This page applies only to insurers writing accident and sickness business.

Refer to section 4.6 of the MCT Guideline for details on the capital requirements for accident and sickness business.

The premiums margin is calculated on the annual earned premiums multiplied by the risk factors. The unpaid claims margin is calculated by multiplying the unpaid claims relating to prior years by the risk factors. To compute the components for accidental death and dismemberment, the risk factors in section 4.6.2 of the MCT Guideline are applied to the net amount at risk.

The total reported in column 5, line 39 is to be reported on page 30.64, column 29, line 70 and the total reported in column 25, line 89 is to be reported on page 30.64, column 10, line 70.

Insurers are to report the amount of their PfADs and expected claims loss ratio for accident and sickness business by product type.

Page 30.66 - MCT(BAAT) Market Risk Capital (Margin) Required

Refer to chapter 5 of the MCT Guideline for details on capital requirements for market risk.

The following amounts should be carried forward:

Page	Line	Column		Page	Line	Column
30.66	39	04	Reported on	30.61	30	01
30.66	69	16	Reported on	30.61	32	01
30.66	79	29	Reported on	30.61	34	01
30.66	89	29	Reported on	30.61	36	01
30.66	99	29	Reported on	30.61	38	01

Page 30.71 – Capital Required for Balance Sheet Assets

This page applies to Canadian insurers only.

Refer to chapter 6 of the MCT Guideline for details on capital requirements for balance sheet assets.

The shaded lines in the "Capital Required" column denote items that are risk weighted at 0% or whose capital requirements are captured elsewhere in the return.

– Lines 06, 07 and 25 – Investments: Long-Term Obligations Including Term Deposits, Bonds, Debentures and Loans; Short-Term Obligations Including Commercial Paper; and Preferred Shares

Use page 30.73, "Capital (Margin) Required for Balance Sheet (Vested) Assets Based on External Credit Ratings," to calculate capital required for these lines.

– Lines 14, 15, 16, 17 and 23 – Loans (at amortized cost)

Loans are reported at amortized cost for the purpose of calculating capital required. The difference between the balance sheet values of loans and loans at amortized cost must be reported on line 19.

– Line 35 – Investments: Other Investments

For further details on capital treatment of other investments, refer to chapter 6 of the MCT Guideline.

<u>Page 30.71</u> – Column 04 – Redistribution of exposure for collateral/guarantees

Where a Canadian company holds a guarantee or collateral backing an asset, the exposure of the asset can be reduced by the value of the collateral or guarantee. This collateral or guarantee will be reported in column 04. The net exposure in column 05 will be multiplied by the risk factors in column 1.

All amounts reported in column 04 are to be reported on page 30.73 in the appropriate category in columns 10, 12 or 14 in order to determine the capital required on the collateral or guarantee. The amounts reported as a reduction on page 30.71 are to be reported as a positive number on page 30.73.

<u>Page 30.81</u> - BAAT Credit Risk: Margin Required for Balance Sheet Assets

This page applies to foreign insurers only.

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.

Refer to chapter 6 of OSFI's MCT Guideline for details on capital requirements for asset risks.

- Lines 06, 07 and 25 – Investments: Long-Term Obligations Including Term Deposits, Bonds, Debentures and Loans; Short-Term Obligations Including Commercial Paper; and Preferred Shares

Use page 30.73 Capital (Margin) Required for Balance Sheet (Vested) Assets based on External Credit Ratings to calculate margin required for these lines.

- Lines 14 and 15 – Loans (at amortized cost)

Loans are reported at amortized cost for the purpose of calculating margin required. The difference between the balance sheet values of loans and loans at amortized cost must be reported on line 19.

- Line 51 – Other (allowable) Recoverables on Unpaid Claims Including SIRs not deducted from net available assets

Include salvage & subrogation and self-insured retentions (SIRs) to the extent permitted.

Page 30.81 - 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.

– Column 04 – Redistribution of Exposure for Collateral/Guarantees

Where a foreign insurer holds a guarantee or collateral backing an asset, the exposure of the asset can be reduced by the value of the collateral or guarantee. This collateral or guarantee will be reported in column 04. The net exposure in column 05 will be multiplied by the risk factors in column 01.

All amounts reported in column 04 are to be reported on page 30.73 in the appropriate category in columns 10, 12 or 14 in order to determine the margin required on the collateral or guarantee. The amounts reported as a reduction on page 30.81 are to be reported as a positive number on page 30.73.

Page 30.73 – MCT (BAAT) Credit Risk: Capital (Margin) Required for Balance Sheet (Vested) Assets Based on External Credit Ratings

The ratings for long-term obligations including term deposits, bonds, debentures and loans apply to investments with an initial term greater than one year.

Refer to chapter 3 of the MCT Guideline.

– Columns 10, 12 and 14 – Redistribution of Exposure for Collateral/Guarantees

The amounts reported in columns 10, 12 and 14 will be a combination of redistributions of exposures for collateral/guarantees backing balance sheet (vested) assets as reported on page 30.73 and the redistributions from page 30.71, column 04; page 30.81, column 04 and page 30.75, columns 11, 21 and 31.

For redistributions of collateral and guarantees among the categories on page 30.73, the amounts will offset within columns 10, 12 and 14. Line 89 for columns 10, 12 and 14 should be the sum of line 89 on page 30.71 column 04; page 30.81, column 04 and page 30.75, columns 11, 12 and 31.

The total reported on line 89, column 09 should be reported on page 30.61, line 40.

Refer to section 6.2 of the MCT Guideline for further information relating to this page.

<u>Page 30.75</u> – MCT (BAAT) Credit Risk: Capital (Margin) Required for Off-Balance Sheet Exposures

Refer to chapter 6 of the MCT Guideline for further information relating to this page.

- Columns 11, 21 and 31 – Redistribution of Exposure for Collateral/Guarantees

Where a P&C insurer holds a guarantee or collateral backing an off-balance sheet exposure, the exposure of the off-balance sheet instrument can be reduced by the value of the collateral or guarantee. This collateral or guarantee will be reported in columns 11, 21 or 31 depending on the remaining term to maturity.

All amounts reported in columns 11, 21 and 31 are to be reported on page 30.73 in the appropriate category in columns 10, 12 or 14 in order to determine the capital (margin) required on the collateral or guarantee. The amounts reported as a reduction on page 30.75 are to be reported as a positive number on page 30.73.

The total reported on line 89, column 39 should be reported on page 30.61, line 42.

<u>Page 30.77</u> – MCT (BAAT) Credit Risk: Capital (Margin) Required for Collateral held for unregistered Reinsurance Exposures and Self-Insured Retentions

Refer to chapter 6 of the MCT Guideline for further information relating to this page.

The calculation for credit risk on self-insured retentions is to be calculated separately from the credit risk margin on collateral held for unregistered reinsurance exposures and the amounts for the capital (margin) required are added together and reported on line on page 30.61, line 44.

<u>Page 30.79</u> – MCT (BAAT) Operational Risk Capital (Margin) Required

Premiums written, assumed and ceded are to be calculated on a rolling 12 month basis.

Refer to chapter 7 of the MCT Guideline for further information relating to this page.

The total reported on line 89, column 9 should be reported on line 50, page 30.61.

Page 40.07 – Summary of Investments

For foreign insurers, investments are vested in trust. All amounts must be denominated in Canadian dollars using the appropriate exchange rate in effect at the reporting date.

This page requires investment to be reported by look through basis same as MCT requirement. Include underlying investments of pooled arrangements regardless how they are reported on the balance sheet page 20.10 (i.e. Common Shares, Other Invested Assets or using the Equity Method). These pooled arrangements include but not limited to mutual funds, segregated funds and limited investment partnerships.

– Column 01 – Fair Value Through Profit or Loss (FVTPL)

Report the balance sheet value of investments included in the category at fair value through profit or loss classified as held for trading.

– Column 03 – Fair Value Through Other Comprehensive Income (FVOCI)

Report the balance sheet value of investments classified as available for sale but 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 (FV) hedging relationships. 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/Investment Properties Fair Value

Report the balance sheet value of investments designated as at fair value through profit or loss and investment property valued using the fair value method.

– Column 09 – Amortized Cost

Report the balance sheet value of financial instrument investments measured using amortized cost including investments classified as held to maturity, loans and receivables and cash flow hedges.

Include investment properties valued using the cost method.

Page 40.07 – Column 13 – Pooled Funds

Report pooled funds amounts included in columns 01 to 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 and fair value hedges and amortization.

– Column 19 – Unrealized Gain/Loss from FV Option

Record pre-tax unrealized gains (losses) on investments recorded in column 07, designated at fair value through profit or loss.

Aggregate Holdings (Canadian Insurers)

– Line 01 – Short-Term Investments (one year or less)

Columns 01 to 12, line 01 on page 40.07	Equals	Columns 10 to 29, line 99 on page 40.12

Holdings of bonds and debentures are to be included on lines 06, 02 or 05 depending on their maturity terms.

Sum of columns 12, line 01 and 06 on page 40.07	Equals	Columns 01, line 04 on page 20.10

<u>Page 40.07</u> – Line 06 – Bonds and Debentures (one year or less)

Columns 01 to 12, line 06 on page 40.07	Equals	Columns 10 to 29, lines 39 and 69 on page 40.22	Plus	Holdings of Canadian government or government guaranteed bonds that mature in one year or less

See instructions for page 40.07, line 01.

– Line 02 – Bonds and Debentures > one year and ≤ five years

Columns 01 to 12, line 02 on page 40.07	Equals	Columns 10 to 29, lines 49 and 79 on page 40.22	Plus	Holdings of Canadian government or government guaranteed bonds that mature in more than one year and less than five years

– Line 05 – Bonds and Debentures > five years

Columns 01 to 12, line 05 on page 40.07	Equals	Columns 10 to 29, lines 59 and 89 on page 40.22	Plus	Holdings of Canadian government or government guaranteed bonds that mature in more in more than five years

Page 40.07 - Lines 01, 06, 02 and 05 – Short-Term Investments, Bonds and Debentures (Foreign insurers)

Short term investments (line 01, column 02) includes 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.

Short term investments, bonds and debentures that mature, or can be repurchased by the issuing company, in one year or less must be recorded on lines 01 or 06. All others (including perpetual bonds) must be included on line 02 that mature greater than one year and less than or equal to 5 years with greater than 5 years on line 05.

Holdings of Canadian government or government guaranteed bonds are to be included on lines 06, 02 or 05 depending on their maturity terms.

Sum of columns 12, line 01 and 06 on page 40.07	Equals	Columns 02, line 04 on page 20.10

– Lines 03 and 04 – Mortgage Loans

Report only the residential and commercial mortgage loans where the total value of the loan(s) outstanding on the property is less than 80% of the loan-to-value ratio 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 in accordance with the applicable accounting standard on line 10 and all other preferred shares on line 11.

– Line 20 – Investment Properties

Complete each column for all investment properties reported on page 40.70. See also instructions for page 40.70, “Investment Properties.”

– Line 30 – Other Loans and Invested Assets

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

<u>Page 40.07</u> – Line 32 – Pooled Funds – items not captured in above rows

Report other pooled funds amounts not captured by above rows 01 to 30. These amounts could include but not limited to accounts receivables, payables and derivatives of the pooled funds.

– Line 34 – Deduct: Pooled Funds accounted using the Equity Method

Include pooled funds amounts accounted using the Equity Method reported from rows 01 to 30.

– Line 39 – Total Investments

Column 12, line 39 on page 40.07	Equals	Column 01, line 19 on page 20.10

– Line 40 – Out of Canada

The following criteria should be used to determine whether an investment should be classified as "out of Canada":

- Cash/deposits held through a Canadian financial institution located outside Canada (e.g. U.S. branch) or through a foreign financial institution.
- Securities where the instruments are physically located outside Canada (e.g. with foreign depositories/custodians).
- "Book-based only" securities held/cleared through a foreign depository (e.g. the Depository Trust Company) where either
  1) the insurer/owner is a direct member of the foreign depository; or
  2) the financial institution custodian that represents the insurer, and that is a direct member of the foreign depository, is not a Canadian financial institution located in Canada.
- Mortgage loans on property physically located in Canada where documentation evidencing indebtedness is located outside Canada.
- Mortgage loans on property physically located outside Canada.
- Real estate physically located in Canada where documentation evidencing ownership is located outside Canada.
- Real estate physically located outside Canada.
- Other investments physically located in Canada where documentation evidencing ownership/indebtedness is located outside Canada.
- Other investments physically located outside Canada.

Investments not meeting these criteria should not be included.

Record the total balance sheet value of all investments included in the total investments (line 39) that are held outside of Canada in column 12.

Page 40.07 – 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.

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.

Individual Holdings

This section is to be completed for all investments excluding direct obligations of, and that portion of obligations directly, explicitly, irrevocably and unconditionally guaranteed by:

i) The Government of Canada;
ii) A Canadian province or territory; or
iii) A sovereign rated AA- or better or its central bank.

– Lines 50 and 51 – Largest and Second-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 two of the following three 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 40.07 – Lines 60 and 61 – Largest and Second-Largest Exposure to a Pooled Holding

Pooled holdings are investments in a unit of a composite pool of investments. They include a company's investments in mutual funds, segregated funds, mortgage-backed securities (MBS), and other similar securitized assets.

Investments in pooled holdings must be recorded on those lines that best describe the underlying assets of the pool. For example, a $100 investment in a mutual fund that in turn invests:

- 100% in bonds—20% short term and 80% long term—will be recorded as $20 on line 01 and $80 on line 02.
- 40% of its assets in long term bonds and 60% of its assets in common shares will be recorded as $40 on line 02 and $60 on line 15.

The investment objectives of the fund may be used as a proxy for determining the composition of the investments provided that the fund has a history of investing in accordance with its investment objective.

For entities whose primary regulator is Alberta, investments in pooled holdings must be recorded as common shares.

Record the largest (and second-largest) investment in any one or group of related mutual funds or other pooled holdings that is not a government grade investment. A fund or other pooled holding is related when the management or ownership of the pooled holding is common.

Pages 40.12 to 40.52 – Consolidated Investments

These pages apply to Canadian insurers only.

Insurers must:

- populate all subtotals and totals for each of these pages; and
- provide investment details to support subtotals either by inserting additional lines or embedding a file. Please refer to Section II for instructions on how to embed objects within the special Excel file.

For each investment category, the balance sheet value of the total investments should be reported in the columns based on their classification.

Refer to the MCT Guideline for a description of the ratings.

The "Where/By whom kept" in column 01 is the name of the trustee or the servicer.

The due dates for interest are the next payment date from the date of the statement.

Page 40.12 – Investments: Short-Term Investments (excluding bonds and debentures)

Include items such as but not limited to 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.

Short-Term Investments reported on line 99, columns 10 through 29 on page 40.12	Equals	Short-Term Investments reported on line 01, columns 01 through 12 on page 40.07

The detailed holdings for non-government, short-term investments are listed within the applicable rating categories.

Short term investments that mature in one year or less are included on this page.

Page 40.22 – Investments: Bonds and Debentures

This represents holdings of Canadian government or government guaranteed bonds shown in total only on lines 09, 19 and 29.

Balances reported on lines 09, 19 and 29 of page 40.22 must be split by time to maturity and reported on lines 06, 02 and 05 on page 40.07.

Columns 10 to 29, lines 39 and 69 on page 40.22	Plus	Holdings of Canadian government or government guaranteed bonds that mature in one year or less	Equals	Columns 01 to 12, lines 06 on page 40.07

Columns 10 to 29, lines 49 and 79 on page 40.22	Plus	Holdings of Canadian government or government guaranteed bonds that mature in more than one year and less than five years	Equals	Columns 01 to 12, lines 02 on page 40.07

Columns 10 to 29, lines 59 and 89 on page 40.22	Plus	Holdings of Canadian government or government guaranteed bonds that mature in more in more than five years	Equals	Columns 01 to 12, lines 05 on page 40.07

The detailed holdings of foreign government bonds are to be listed on line 35. The country of the foreign bond should be clearly displayed within the description in column 02.

The detailed holdings for non-government bonds and debentures are listed within rating grades. Bonds and debentures that mature or can be repurchased by the issuing company in one year or less must be included in line 39 or 69. All others (including perpetual bonds) that mature in more than one year and less than five years must be included in line 49 or 79, and those that mature in more than five years in line 59 or 89.

Page 40.22 – **Investments: Bonds and Debentures** (cont'd)

The date of issue in column 06 should be the original issue date of the bond. It is not the date of acquisition.

Investments are split by maturity term into three categories: less than one year, greater than one year and less than or equal to five years, and greater than five years. As an investment nears its maturity date, it moves through the three categories.

Page 40.32 – **Investments: Mortgage Loans**

The amounts in columns 07 and 09 reflect the original amounts, not the latest values at renewal. The amount in column 08 reflects the current market value of the property.

Page 40.70 – **Investment Properties**

– Line 49 – Total Investment Properties

The split between investment properties and own-use properties as shown on this page reflects the balance sheet treatment under the applicable accounting standards.

Insurers should indicate in the description of the property 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 subtotals 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).

- Column 07 – Balance Sheet Value - Vested in Trust

This column applies to foreign insurers only.

<u>Page 40.80</u> – Other Loans and Invested Assets

Other loans and invested assets include, where permitted, broker loans, investments in non-financial investments including, but not limited to, precious metals, coins and art as well as positive marked-to-market derivative instruments and other recognized financial investments not included in other investment categories, such as letters of credit. This balance should tie to page 40.07, line 30.

When reporting broker loans, a detailed listing is required, either directly on the form or embedded within the special Excel file.

For all recognized financial instruments listed in other investments, additional information should be attached to the insurer's Annual Return on each type and class of instrument held during the year and outstanding at year end, including the following:

- notional amount and remaining term to maturity;
- 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.

- Column 05 – Balance Sheet Value – Vested in Trust

This column applies to foreign insurers only.

<u>Page 50.20</u> – Receivable from/Payable to Non-Associated Agents and Brokers

To be completed for direct written business 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, must be listed separately.

The number of non-associated agents and brokers reported must be the total of all agents and brokers (other than associates) that have written at least one policy during the fiscal year.

– Other Receivables

Only amounts that represent 10% or more of the total (line 89) need to be listed separately. Amounts representing less than 10% may be aggregated.

<u>Page 50.32</u> – Intra-Group Transactions

Sections I to IV apply to Canadian insurers only.

The following instructions are applicable for Sections I through IV of this page.

Where there is greater than 10% ownership in joint ventures, all amounts must be reported in detail. Associated brokers as defined in the MCT Guideline should also be reported here.

For all interests in joint ventures (with greater than 10% ownership) consolidated within the MCT, non-qualifying subsidiaries and all associates, provide the information in the relevant sections.

- Column 01 – Name of Entity

Include the name of the entity.

- Column 04 – Description of Shares

Include a description of the:

- share (preferred/common, conversion/redemption rights);
- loan or advance (secured/subordinated, conversion/redemption rights, maturity); and
- receivable (insurance/reinsurance/trade).

<u>Page 50.32</u> - Columns 06 to 14 – Interests/Loans Considered as Capital

Identify the initial cost of the shares at acquisition (column 12) and the current market value (column 14).

<u>Section III:</u>
Interests in common and preferred shares or loans/advances to joint ventures (with greater than 10% ownership), non-qualifying subsidiaries and all associates must be identified separately. The equity method will be used for valuing these interests in column 16. Column 18 reflects the difference between column 12 and column 16.

For loans and other debt instruments that are considered as capital, complete columns 14, 16 and 18 only.

- Column 08 – % Owned

Enter the percent of the total shares of the type being reported that the interest represents.

- Column 20 – Loans not Considered as Capital – Balance Sheet Value

For loans that are not considered as capital, complete columns 14, 18 and 20.

<u>Page 50.32</u> - Section V - Columns 23 to 31 – Intra-group reinsurance transactions

For Line 42 the totals from Pages 70.50, columns 18, 20+22, 24, 26 and 28 should be included in columns 23, 25, 27, 29 and 31 respectively.

For Line 44, the totals from Page 70.60/70.61, line 09, columns 18, 20+22, 24, 26, 28 and 39 should be included in columns 23, 25, 27, 29, 31 and 33, respectively.

<u>Page 50.32</u> - Section VI - Column 35 – Intra-group outsourcing

Enter the total of Line 09 from Column 05 on page 10.43 from the Annual Supplement. If there is a change of provider during the period, this change should be reflected in the total of the quarterly filing.

Page 50.32 - Section VII - Columns 40 and 42 – Intra-group transactions resulting in asset encumbrance

Enter the total of line 19 from column 05 on page 10.42 from the Annual Supplement. If there is a change of greater than 10 per cent during the period, this change should be reflected in the total of the quarterly filing.

In addition, any securities lending to related parties included in the amounts on page 10.42, lines 40 and 45 should be included in Section VII.

Page 50.40 - Receivable from/Payable to Subsidiaries, Associates & Joint Ventures

Refer to the definition of the term "associate" in "Section III – Definitions."

For Canadian insurers, amounts receivable from/payable to non-qualifying subsidiaries, all associates and joint ventures (regardless of ownership level) arising out of insurance, reinsurance and any other activities must be shown for each company.

For foreign insurers, amounts receivable from/payable to associates arising out of insurance, reinsurance and any other activities must be shown for each company.

Pages 60.10 to 60.30 – Premiums and Claims

All companies are requested to follow the "Type of Use" guidance provided in chapter 5 of the "Automobile Statistical Data Reporting Requirements" – *Automobile Statistical Plan* Manual including underwriting information tracking.

Private passenger auto includes only the code classification specified in the General Insurance Statistical Agency (GISA) manual for private passenger auto excluding farmers.

Private passenger auto does not include the Facility Association Residual Market (FARM) business. This business is to be reported separately on lines 22, 23 and 24.

Classes of Insurance

For additional information on the classes of insurance, refer to "Section III - Definitions."

Page 60.10 - Unearned Premiums

This page applies to all insurers licensed in the province of Quebec or Alberta.

– Line 80 – Out of Canada Liabilities

This line applies to Canadian insurers only.

This line must include the out-of-Canada portion of unearned premiums which is included in line 89.

Page 60.20 – Column 21 – Number of Policies in Force

Each class (or sub-class) requires the number of policies, where coverage is provided, at year-end. Number of policies in force refers to direct policies issued by the insurer.

In some circumstances, the premium for one policy is allocated to sub-classes (i.e. automobile policies), or is allocated to different lines of business (i.e. commercial policies). In those instances, the policy-in-force count should include each sub-class or additional line of business where coverage is provided. The policy-in-force count will not be additive to the total line (line 89).

Example: Company with two policies in force—one automobile policy and one commercial lines policy.

		Line	No. policies in force
One automobile policy			
Automobile	- liability	19	1
	- pers. accident	20	1
	- other	21	1
Automobile	**- total**	**29**	**1**
One commercial policy			
Property	- commercial	07	1
Boiler and machinery		32	1
Liability		59	1
TOTAL		**89**	**2**

Page 60.20 – Column 23 – Number of Direct Claims

Number of direct claims reported during the current fiscal year	Equals	Number of direct claims incurred and reported during the current fiscal year	Plus	Number of direct claims incurred in previous years and reported during the current fiscal year

– Column 25 – Unearned Premiums from a Portfolio Transfer

This column represents the unearned premium as at the date of a portfolio transfer that occurred in the current year.

Page 60.30 – Claims and Adjustment Expenses – Paid, Current Year and Unpaid, Current and Prior Year

The amounts shown must include both the internal and external claims adjustment expenses and a provision for IBNR.

– Line 80 – Out of Canada Liabilities

This line applies to Canadian insurers only.

This line must include the out-of-Canada portion of unpaid claims and adjustment expenses which are included in line 89.

– Columns 05 and 06

The salvage and subrogation recoverable amounts determined by the appointed actuary should be netted against gross unpaid claims and IBNR on page 20.20, line 13.

If specific contractual third-party obligations exist with respect to salvage and subrogation, the gross amount 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.

Page 60.30 – Column 07 – Reinsurance Ceded

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 agreements (see summary and the following example).

Reporting salvage and subrogation – summary:

Item	Where reported
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.

– Column 07 – Reinsurance Ceded (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 and 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**

Page 60.30 – Column 09 – Net Provision at Prior Year End

Net provision at prior year end	Equals	Total unpaid claims (claims, adjustment expenses), net of reinsurance, as reported for the prior year (line 51, column 12, page 60.41 or page 60.40	Plus	Total unpaid claims (IBNR), net of reinsurance, as reported for the prior year (line 52, column 12, Page 60.41, or page 60.40

- Column 11 – Net Provisions for Portfolio Acquisition/Disposition at Transaction Date

When an acquisition / disposition of portfolio occurred during the current year, you must indicate in this column the net provisions at the date on which the acquisition / disposition took place on claims that occurred during prior years.

– Column 13 – Investment Income on Unpaid Claims of Prior Years *(to be completed by insurers reporting unpaid claims on a discounted basis)*

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:

$$\frac{\text{Average total investments}}{A+B+C+D-E-F}$$

(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 the Facility Association).
(2) Net of reinsurance and salvage and subrogation.

<u>Page 60.30</u> – Column 15 – Net Provision at Period End for Claims of Prior Years

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 accident years.

<u>Page 60.40</u> – Net Claims and Adjustment Expenses – Run-off *(to be completed on an undiscounted basis)*

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

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

Beginning with the December 31, 2016 filing, the "Portfolio acquisition/disposition" lines will need to be completed gradually. At December 31, 2016 only line 45 will need to be completed. At December 31, 2017 both line 45 and line 35 will need to be completed and so on each year until all of lines 05,15, 25, 35 and 45 are completed for the December 2020 filing and each year thereafter.

IBNR claims must include their related adjustment expenses allocated to each of the years included in the run-off.

Excess (or deficiency) for a particular period	Equals	UCAE and IBNR at opening of the year (the first year of the period covered)	minus	Claims paid for each subsequent year	minus	UCAE and IBNR end of year (the last year of the period covered)

Excess (or deficiency) ratio	Equals	Amount of the excess or (deficiency)	Divided by	Opening unpaid claims	Plus	IBNR

Page 60.41 – **Net Claims and Adjustment Expenses – Run-off - Discounted**
(to be completed by insurers reporting unpaid claims on a discounted basis)

Amounts shown on lines 50 to 53 must be taken from the insurer's claims records for the current year, and allocated by loss year. Lines 01 to 49 must be completed on the basis of the figures reported in 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.

Beginning with the December 31, 2016 filing, the "Portfolio acquisition/disposition" lines will need to be completed gradually. At December 31, 2016 only line 45 will need to be completed. At December 31, 2017 both line 45 and line 35 will need to be completed and so on each year until all of lines 05,15, 25, 35 and 45 are completed for the December 2020 filing and each year thereafter.

IBNR claims must include their related adjustment expenses allocated to each of the years included in the run-off.

Refer to page 60.40 for instructions related to excess (or deficiency) ratio.

– Lines 13, 23, 33, 43 and 53 – Investment Income from Unpaid Claims and 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 and subrogation.

Page 60.50 – **Direct Adjustment Expenses**

– Line 01 – Internal Adjustment Expenses

These are the paid expense amounts allocated to a claim file.

<u>Pages 67.10 to 67.31</u> – Provincial and Territorial Exhibits

Distribution of premiums and claims by province and out of Canada is based on location of risks.

Refer to pages 60.10 to 60.30 for further guidance.

<u>Classes of Insurance</u>

For additional information on the classes of insurance, refer to "Section III - Definitions."

<u>Pages 67.10 to 67.31</u> – Provincial and Territorial Exhibits (cont'd)

<u>Insurers Licensed in the Province of Quebec</u>

– Lines 04, 05 and 33 – (column 05)

Insurers licensed in the province of Quebec must not include any amount on lines 04, 05 and 33.

According to the *Regulation under the Act respecting insurance* (chapter A-32, r. 1), "property insurance" and "boiler and machinery insurance" are defined as follows:

17. Insurance in the "property insurance" class is insurance whereby the insurer undertakes to indemnify the insured against loss of or damage to property, to the extent that the insurance does not cover property that is more specifically covered by another class of insurance.

18. Insurance in the "boiler and machinery insurance" class is insurance providing one or more of the following protections:

    (1) Insurance whereby the insurer undertakes to indemnify the insured against material loss or damage sustained by the insured by reason of the explosion or rupture of a boiler or any other pressure vessel, including any mechanism, component or accessory incidental to its operation, or material loss or damage resulting from an accident in the course of its operation.

However, sub-categories disclosed on lines 04, 05 and 33 do not exist in Quebec. Insurers are required to include these protections in the class of insurance that represent the nature of the insurance contract.

<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 - Direct

Dividends must be reported on a direct-incurred basis.

<u>Page 67.31</u> – Provincial and Territorial Exhibit of Claims Incurred Including Adjustment Expenses – Undiscounted

Incurred loss data is to be entered in columns 01 through 18 by line of business, by province and territory.

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

Report premiums earned and claims incurred by type of reinsurance arrangement and by line of business.

The amount of total premiums earned reported on line 89, column 06 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> - Summary of Intragroup Reinsurance

This page is designed to collect information on an assumed and ceded basis related to business that is pooled among related entities who are a party to a pooling business. Institutions are to include registered and unregistered related insurers with whom they have reinsurance pooling or participation arrangements.

Pages 70.50, 70.60 and 70.61 – Reinsurance Ceded Summary (Registered/Unregistered Reinsurance

- Column 01 – Name of Assuming Insurer

The complete legal name of the reinsurer to which the insurer has a counterparty exposure. The counterparty name should be reported exactly as per the signed contract.

- Columns 02,04,06,08 – Rating agency identifier code

The unique rating agency identifier used by AM Best, S&P or other rating agencies

Enter for all rating agencies that rate the assuming insurer.

If unrated enter "1" in column 8

- Column 10 – Reinsurer domicile

The domicile where the reinsurer counterparty is legally incorporated

Use the 2 letter International Standard country codes defined in ISO 3166 (International Organization for Standardization).

- Column12 - Reinsurer Group Domiciliary Jurisdiction

The domicile where the ultimate incorporated insurance group owning the reinsurer counterparty is legally incorporated. If the counterparty does not belong to a group, leave this column blank.

Use the 2 letter International Standard country codes defined in ISO 3166 (International Organization for Standardization).

- Column 14 – Business covered

Underlying class of insurance risk ceded. E.g. Property, Auto, Surety etc.

For reinsurers completing this column, Out of Canada business should be classified as Out of Canada.

<u>Pages 70.50, 70.60 and 70.61</u> - Column 16 – Type of contract

Type of reinsurance contract using the following two letter codes:

- FA – Facultative
- XS – Excess of loss
- QS – Quota share
- SU – Surplus
- SL – Stop loss

- Column 20 - Unearned Premiums ceded to assuming insurer

The reinsurer's portion of unearned premiums must be reported on this line. Represents the unexpired portion of premiums ceded and is a balance sheet item.

- Column 22 - Outstanding losses recoverable from assuming insurer

Reinsurance recoverables on unpaid losses and loss adjustment expenses equivalent to amount reported on balance sheet page 20.10, line 31, column 01.

Amount reported on page 20.10, line 31, column 01 includes the total of amounts reported on pages 70.50, 70.60 and 70.61 for registered and unregistered reinsurance ceded.

Includes claims that have been reported but not settled and claims that have been incurred but not reported including loss adjustment expenses that will be recovered from reinsurers

Column 24 - Reinsurance Receivable

Include all receivables on paid losses and paid loss adjustment expenses except for “Outstanding losses recoverable from assuming insurer” recorded in column 22.

Receivables must be reported net of allowance for doubtful accounts

Pages 70.50, 70.60 and 70.61 - Column 26 - Reinsurance Payable

Include funds, other than those for collateral purposes (which should be recorded under column 36 Funds Held), held in the insurer's bank account; these funds must also be reported on the Balance Sheet.

Amounts payable to assuming reinsurers may be deducted from amounts receivable and recoverable in the calculations in columns 42 and 44 only where there is a legal and contractual right of offset.

Insurers are not to include any amounts payable to assuming insurers that are associates or non-qualifying subsidiaries.

- Column 30 – Aging of Reinsurance Asset

Report amount of Reinsurance Receivable (from column 24) Overdue >90 days plus the reinsurance recoverable on paid losses and loss adjustment expenses, that are not in formal dispute resolution by reason of notification, arbitration or other mechanism under the contract, and remain uncollected > 90 days. A paid loss and paid loss adjustment expense recoverable is due pursuant to original contract terms

Where the reinsurance agreement specifies or provides for determination of a date at which claims are to be paid by the reinsurer, the aging period shall commence from that date

Where the reinsurance agreement does not specify a date for payment by the reinsurer, but does specify or provide for determination of a date at which claims are to be presented to the reinsurer for payment, the aging period shall commence from that date

Reinsurance recoverable on paid losses excludes:

- IBNR loss reserves
- Unearned premiums
- Contingent commissions
- Unpaid case reserves
- Paid losses in formal dispute resolution under the reinsurance contract

Pages 70.60 and 70.61 – Reinsurance Ceded Summary: Unregistered Reinsurance

Page 70.60 should be completed by Canadian insurers only.

Page 70.61 should be completed by foreign insurers only.

- Columns 32 to 38 – Reinsurance Collateral

Only non-owned deposits that are held in a RSA are to be included in column 32. Other acceptable non-owned deposits held outside an RSA are to be reported in column 34.

Deposits of reinsurers that are not owned by an insurer shown in columns 32, 34 and 38 are not to be reported on the balance sheet.

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

For federally regulated insurers:

Non-owned deposits can be reported in column 32 only where a valid and enforceable security interest has been obtained through the establishment of a reinsurance security agreement (RSA) in respect of the unregistered reinsurance.

Non-owned deposits held as security from unregistered assuming insurers are subject to a capital charge, which must be reported as capital required for Counterparty Default Risk for Unregistered Reinsurance Collateral and SIRs on page 30.61, line 44.

Refer to OSFI's *Guidance for Reinsurance Security Agreement* and the MCT Guideline for more details.

For provincially incorporated insurers where the reinsurance security agreement (RSA) regime does not apply:

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

Pages 70.60 and 70.61 - Column 36 – Reinsurance Collateral – Funds Held

Reinsurance premiums withheld by the ceding company as specified in the reinsurance contract (for example, funds held equal to the unearned premiums and loss reserves), or advances from the reinsurer to the ceding company for the payment of losses.

- Column 38 – Reinsurance Collateral – Letters of Credit

For additional information on LOCs, refer to "Section V - Jurisdictional Requirements."

LOCs held as security from unregistered assuming insurers are subject to a margin requirement, which must be reported as Counterparty Default Risk for Off-Balance Sheet Exposures of margin required for structured settlements, letters of credit, derivatives and other exposures on page 30.61, line 44.

P&C insurers should refer to General Guidelines for Use of Letters of Credit available on OSFI's website.

– Column 42 – Recoverables in excess of Acceptable Collateral

The total number reported on line 29, column 42 is a deduction from capital available and is to be reported on page 30.62, line 36, for Canadian insurers and page 30.92, line 63 for foreign insurers.

– Column 46 – Margin Required

The total number reported on line 29, column 46 is to be reported on page 30.61, line 26.

Pages 70.62 and 70.63 – Reinsurance Ceded Summary: Unregistered Reinsurance (Transition period until December 31, 2022 for Policy Liabilities Ceded on or before December 31, 2019)

The transition period applies to policy liabilities ceded on or before December 31, 2019 and any associated new claims or development on incurred claims until December 31, 2022, the end of the transition period.

Page 70.62 should be completed by Canadian insurers only.

Page 70.63 should be completed by foreign insurers only.

See instructions for pages 70.60 and 70.61.

Page 70.90 – Reinsurance Interrogatories

– Line 01 – Changes in Reinsurance Arrangements

"Significant changes" would include items such as:

- a change in the type of reinsurance (for example, from proportional to excess of loss);
- a change in the make-up of reinsurers (for example, from registered to unregistered);
- a change in the level of protection provided by reinsurance (for example, a change in surplus lines, a change in catastrophe cover, reinsurance not placed or layers not covered);
- a change in reinstatement provisions; and
- any other change that could affect the insurer's overall financial condition.

– Line 02 – Portfolio Transfer or Commutation of Treaty

Insurers are required to provide details of each balance sheet and statement of income item and amounts involved, as of the date of the transaction. The details should be embedded into the special Excel file. The detail provided should include the type of portfolio transfer as well as the actual transfer date.

The unearned premium amounts related to the portfolio transfer or commutation of treaty must be reflected on page 60.20 by class of insurance.

– Lines 03, 04 and 05

Questions 03, 04 and 05 provide an outline of the insurer's catastrophe reinsurance program. Insurers should provide details based on the program that is in place at the filing date.

– Line 03 – Upper Limit of Catastrophe Program

Upper limit or total limit of the catastrophe program reflects the amount above which there is no reinsurance protection, e.g. catastrophe coverage of $350 million excess of $20 million would have an upper limit of $370 million.

– Line 04 – Attachment Point for Catastrophe Coverage

The attachment point is the amount that is retained before catastrophe coverage applies to the first loss.

Page 70.90 – Line 05 – Amount of Retention within the Catastrophe Coverage Layers

The retention within the catastrophe coverage refers to any portion of the program that is not 100% placed above the attachment point.

– Line 06 – Gross Estimated Catastrophe Exposure

The gross estimated catastrophe exposure, net of any non-catastrophe coverage, is considered to be the higher of a single catastrophic event within the 95th- to 99th-percentile range or the reserving probable maximum loss (PML) for earthquake as described in the *Earthquake Exposure Data Form* in accordance with OSFI's *Guideline B9* - *Earthquake Exposure Sound Practices* and AMF's *Earthquake Exposure risk management guideline*

– Line 07 – Net Retained Loss

The net retained loss considers the attachment point for the catastrophe program and any retention within the identified gross estimated catastrophe exposure as defined in line 06.

– Line 08 – Catastrophe Coverage(s) Reinstatement Cost

This question identifies the full cost of a catastrophe to the insurer. Insurers should provide details based on the program and policies in place at the time of filing.

Based on the gross estimated catastrophe exposure defined in line 06, insurers should indicate their reinstatement cost for a full year under their catastrophe reinsurance programs.

The reinstatement cost would be based on the catastrophe coverage(s) that would be impacted within the identified catastrophe exposure.

– Line 09 – Catastrophe Program Specific to Canadian Operations

A catastrophe program that is specific to the Canadian operations would provide coverage only for the Canadian insurer(s). The yes/no response should be based on the program in place at the time of filing.

<u>Page 70.90</u> - Summary of non-traditional methods of risk mitigation issued or purchased by insurer or parent for in Canada risk

All amounts should be reported in $'000 Canadian Dollars.

- Columns 03 and 05 – Insurer

This would consider all non-traditional reinsurance (ILS) contracts specific to the Canadian company or branch for in Canada risk.

- Columns 07 and 09 - Parent/Home Office

This would consider all non-traditional reinsurance (ILS) contracts specific to the parent or home office covering in Canada risk.

<u>Page 80.10</u> – 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.

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

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 (as defined in "Section III - Definitions") 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 are not allocated to the acquisition of business (excluding adjustment and investment expenses) are to be reported in column 04.

– Column 06 – Internal Adjustment Expenses

Incurred internal adjustment expenses include the change in provisions.

The following definitions and examples of expense items refer to the expenses to be reported on page 80.20.

– Line 54 – Agency (Excluding Commission)

Includes:

- payments for agents' licences and signs;
- expense of training agents;
- cost of promotional material, souvenirs, etc., in agent's name only;
- expense of seminars, conventions and meetings for agents;
- allowances, reimbursements and payments for expenses to agents, brokers and producers other than company personnel and not computed as a percentage of premiums.

– Line 60 – Management Fees

Includes:

- services provided by outside related or non-related management corporations or agencies.

Page 80.20 – Line 70 – Occupancy

Includes:
- furniture and equipment;
- insurance, occupancy;
- postage/courier;
- printing and stationery;
- telephone and other communication costs.

– Line 78 – Home Office Overhead

Includes:
- overhead charges levied by the head office of the parent corporation.

– Line 80 – Allowance

Includes:
- allowance for doubtful accounts.

– Line 82 – Regulatory Assessments

Includes:
- statutory assessments by regulators, including regular, special and insolvency assessments by the Property and Casualty Insurance Compensation Corporation (PACICC).

– Line 88 – Other Expenses

Includes:
- any expenses not included above.

Page 90.15 - Out of Canada Operations

This page applies to Canadian insurers only.

<u>Pages 92.10 to 95.20</u> – Non-consolidated Financial Statements and Schedules

These pages apply to Canadian insurers only.

Insurers are required to fill out these schedules on a non-consolidated basis in accordance with applicable accounting standards and return instructions, with the exception of life insurance subsidiaries, which should be accounted for using the equity method.

The table below references the applicable instructions for the following return pages:

Schedule	Reference instructions
Page 92.10	Page 20.10
Page 92.20	Page 20.20
Page 92.30	Page 20.30
Page 92.40	Page 20.45
Page 92.42	Page 20.42
Page 93.10	Page 60.20
Page 93.20	Page 60.30
Pages 93.30 and 93.35	Page 67.10
Page 93.40	Page 67.20
Page 93.50	Page 67.30
Page 93.60	Page 60.40
Page 93.61	Page 60.41
Page 95.10	Page 70.10
Page 95.20	Page 80.20

Pages 85.40, 85.45, 85.60 and 85.65 – Insurers Licensed in Quebec (Based on Location of Risk)

These pages apply to foreign insurers licensed in the province of Quebec only.

Pages 85.40, 85.45, 85.60 and 85.65 have been produced by the *Autorité des marchés financiers* ("AMF") further to amendments to Part XIII of the *Insurance Companies Act*, S.C. 1991, c. 47 ("ICA"), which came into force on January 1, 2010.

As a result of the amendments to the Canadian regulatory framework, foreign insurers must now report only risks insured in Canada in their P&C return. Under Part XIII of the ICA, reporting of regulatory data on a foreign entity's operations must now be based on the location of the entity's insurance business rather than the location of risks insured.

The AMF's supervision of your activities in Québec is based on the definition of "insurer" under section 1(a) of *An Act respecting insurance*, CQLR, c. A-321 (the "Act"). This definition has not been modified. Therefore, the amendments to the ICA do not affect the obligation of foreign entities to comply with provincial requirements.

Section 269 of the Act stipulates that every insurer must maintain adequate assets to guarantee the performance of its obligations in Québec. These pages are intended to ensure compliance with that requirement. They must therefore be completed by all foreign insurers licensed in Québec based on location of risk, and should thus include financial data on all risks located in Quebec, whether insured within or outside Canada. All risks located outside Quebec should therefore be excluded.

1 The Act is available on the AMF website at the following address: http://www.lautorite.qc.ca/en/laws-insurance-deposit-institution-pro.html

Page 85.40 **- Provincial and Territorial Exhibit of Premiums Written**

- Column 05 - Quebec

Include risks located in Quebec that have been insured in Canada.

- Column 18 - Out of Canada

Include risks located in Quebec that have been insured outside Canada.

- Line 99 – Dividends - Direct

Dividends must be reported on a direct incurred basis.

Page 85.45 **– Premiums Written (policies with a term of more than 12 months)**

Complete page 85.45 if insurer has written, during the current year or in a prior year, policies for a term of more than 12 months. The data reported on page 85.45 must include:

- for policies for a term not exceeding 12 months: total premiums for policies written during the current year;
- for policies for a term of more than 12 months: only the portion of premiums applicable to the twelve months during the current year;

- Column 05 - Quebec

Include risks located in Quebec that have been insured in Canada.

Page 85.45 **- Column 18 - Out of Canada**

Include risks located in Quebec that have been insured outside Canada.

Page 85.60 **- Provincial and Territorial Exhibit of claims incurred including adjustment expenses**

- Column 05 - Quebec

Include risks located in Quebec that have been insured in Canada.

- Column 18 - Out of Canada

Include risks located in Quebec that have been insured outside Canada.

Page 85.65 **- Risks located in Quebec – Insured outside Canada**

- Columns 01, 02, 03, 04 and 05

Refer to the instructions for page 60.10.

- Columns 06, 07, 08, 09 and 10

Refer to the instructions for page 60.30.

Page 99.10 **– Canadian Affidavit Verifying Annual Supplement Return**

Insurers should refer to "Section V - Jurisdictional Requirements."

Each filed copy of page 99.10 must bear the original signature of everyone who is required to sign and kept within company records. Please refer to Section II for instructions on how to embed objects within the special Excel file.

<u>Pages 99.11 and 99.15</u> – Foreign Affidavits Verifying Annual Supplement Return

The affidavit on page 99.11 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 P&C return; if it is not possible for the affidavit to be filed with the P&C return, it must be filed within 30 days of the date that the P&C return is due.

Each filed copy of pages 99.11 and 99.15 must bear the original signature of everyone who is required to sign and kept within company records. Please refer to Section II for instructions on how to embed objects within the special Excel file.

Where an affidavit makes reference to the company's insurance business in Canada, the word "business" refers to an activity carried on in Canada and is not limited to risks located in Canada. For a discussion of which risks are considered insured in Canada, and therefore form part of the company's insurance business in Canada, please consult Advisory 2007-01-R1, *Insurance in Canada of Risks*, available on OSFI's website.

<u>Page 99.16</u> - Certification

Each filed copy of the certification must bear the original signature of everyone who is required to sign and kept within company records.