

Working with MSA Researcher 2011 Year End P&C Investment Data

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Analysts of the industry should be aware of a number of significant changes in the disclosure of P&C regulatory return investment data in 2011. The changes can be grouped into three main categories – IFRS reporting, consolidated reporting and supplemental investment exhibits and data points.

The financial reporting change which has received the most public attention in the last year has been the change to International Financial Reporting Standards (IFRS). Interestingly, for most companies this has resulted in relatively few changes to reported investment data. The one exception to this comment is if a company has revalued investment properties. Much more significant than IFRS from an investment reporting perspective were the fair value changes which were first implemented for the 2007 reporting year. IFRS changes should be well documented in the notes to company financial statements though these may not always be available to database users.

The second change area this past year was the move to consolidated reporting for all registered P&C insurance companies. This has had a major impact on the statutory data for companies such as Allstate, AXA (Intact), La Capitale, Co-operators, Economical, Northbridge, Optimum, SGI and Wawanesa, . The 20.xx series financial statements, both current and prior year columns, are now on a consolidated basis, while a new 92.xx series has been introduced to report the company's non-consolidated financial statements. The 20.xx data in MSA Researcher software for 2010 and prior years will remain on the originally reported non-consolidated basis. MSA has worked to manage this change by introducing a new feature called DCPS (Double Counting Prevention System) which automatically eliminates double counting of consolidated fields when subsidiaries and their parents are included in the same query or composite. Users are cautioned that consolidated data for subsidiaries which are not regulated Canadian P&C insurance companies (such as foreign insurance subsidiaries) are not included in the database, hence not eliminated by DCPS. This will create some potential reconciliation issues if not carefully managed.

OSFI also introduced some new detailed investment exhibits for P&C-1 (Canadian) reporting companies in 2011, the 40.12 to 40.70 series, and also made some minor changes to the Investment Summary page 40.07. The new series requires companies to again report detailed investment positions, a practice which was discontinued a number of years ago (this detailed position data is not available in the database). The publicly available data points include a significant amount of data not recently available for non-Quebec incorporated companies. Examples are:

- Short term investment totals by type of government issuer and investment grade and categorized by accounting and valuation classification
- Bonds segregated by government issuer and by investment grade versus non-investment grade for the maturities and categories in 40.07 and also par values.
- Mortgages are summarized by original amount, property value, loan market value and loan balance sheet value for the following four categories – Government grade guarantor; A- or greater and Residential; Commercial; and Other
- Preferred shares by five levels of investment rating categorized by accounting and valuation classification
- Common shares categorized by accounting and valuation classification (same data as 40.07)

Some Exhibit 40.07, Summary of Investments terminology was also updated, investment property fair value reporting was added to column 07 and importantly, Bonds and debentures maturing in more than one year have now been split into a one to five year row and a greater than five year row. Database users should take care when analyzing this new data to note that the row number used for the greater than five year data is out of numerical sequence in the exhibit. Also note that unlike on Exhibits 10.60 and 20.30, Exhibit 40.07 consolidated investment income reported in columns 15, 16 & 19 does not include the investment expense deduction.

The MSA Analysis of Investments summary report will report consolidated data from 2011 forward and includes only vested investments for branches.