

Q1 2015 P&C Regulatory Report Changes – The Big Reveal!

By Graham Segger, FCPA, FCA

The subtitle of this article is “The Big Reveal” as it does capture quite succinctly the essence of some of what the new regulatory reporting changes have accomplished, particularly in relation to liability and surety policies, reinsurance ceded, intra-group transactions, outsourcing, encumbered assets and regulatory capital.

Liability and Surety Policies:

Ever since the Canadian Council of Insurance Regulators (CCIR) first developed standardized financial reporting for Canadian insurance companies and branches of foreign owned companies, the information reported on the single liability line on the regulatory exhibits has included a variety of different sub-categories of liability coverage. Effective in 2015 companies must now split out and report nine new liability sub-categories as displayed below.

Liability sub-category	Row #
Comprehensive General Liability (with products)	50
Comprehensive General Liability (without products)	51
Cyber Liability	52
Directors and Officers Liability	53
Excess Liability	54
Professional Liability	55
Umbrella Liability	56
Pollution Liability	57
All other	58
Liability – total	59

A wealth of new information is now available for these liability sub-categories on the following exhibits:

- 60.20 Premiums and Claims (consolidated, discounted) – includes reinsurance and unearned data
- 60.21 Premiums and Claims (consolidated, undiscounted) – includes reinsurance and claims ratio data
- 60.30 Claims and Adjustment Expenses (consolidated) – includes reinsurance and margins (deficiency) on prior year unpaid claims data
- 67.10 Provincial and Territorial Exhibit of Premiums Written (consolidated)
- 67.20 Provincial and Territorial Exhibit of Premiums Earned (consolidated)
- 67.30 Provincial and Territorial Exhibit of Claims Incurred (consolidated)
- 67.31 Provincial and Territorial Exhibit of Claims Incurred (consolidated, undiscounted)
- 67.35 Provincial and Territorial Exhibit of Loss Ratios (consolidated) *
- 67.38 Regional Exhibit of Premiums Written, Premiums Earned, Claims Incurred, and Loss ratios *
- 85.40 to 85.65 (data based on location of risk for insurers licensed in Quebec)
- 93.10 Premiums and Claims (non-consolidated)
- 93.11 Claims Incurred (non-consolidated, undiscounted)
- 93.20 Claims and Adjustment Expenses (non consolidated)
- 93.30 Provincial and Territorial Exhibit of Premiums Written (non consolidated)
- 93.40 Provincial and Territorial Exhibit of Premiums Earned (non consolidated)
- 93.50 Provincial and Territorial Exhibit of Claims Incurred (non consolidated)

*available to MSA P&C Researcher software subscribers only

The following sample of industry wide liability data now available was shared with the attendees at the May 27, 2015 CIFF.

Q1 2015 Selected Financial Data Disclosures by New Liability Sub-Category

Liability Breakouts	DPW (\$'000s)	% of Liab Line	Canada DLR	ON DLR
CGL w/Prod	816,572	54.6%	68.7	74.3
CGL w/o Prod	63,805	4.3%	117.2	103.4
Cyber	3,209	0.2%	145.5	174.2
D&O	88,237	5.9%	61.9	140.5
XS	38,865	2.6%	130.6	110.4
Prof Liab	350,491	23.4%	47.3	80.8
Umbrella	50,327	3.4%	40.5	63.5
Pollution	24,687	1.6%	75.6	62.4
Other	60,382	4.0%	61.8	43.7
Total	1,496,575	100.0%	69.4	80.5

© MSA Research Inc. All Rights Reserved

Source: MSA Researcher P&C Software

www.msaresearch.com

The CCIR has also requested that companies split their Surety reporting into “Contract Surety” and “All Other Surety” beginning in Q1 2015.

Reinsurance Ceded:

The reinsurance ceded reporting pages have been very significantly restructured in 2015. New pages 70.50, 70.60, 70.61 and 70.90 have been added, pages 70.40, 70.38, 70.39 and 90.70 have been deleted, and page 70.21 has been updated. The new or enhanced data which CCIR is now requesting includes rating agency, domicile and contract type and business covered data about reinsurers, disclosures relating to registered reinsurance ceded and receivables, reinsurance collateral held on unregistered reinsurance ceded, and MCT implications of unregistered reinsurance. Much of this data will not be available in the public domain.

Intra-Group Transactions:

New Page 50.32 titled Intra-Group Transactions has seven sections which provide details about various non arm’s length transactions with other group companies. This includes the dollar value of outsourcing transactions which must be described on page 10.43 and asset encumbrances described on Page 10.42. Investments in controlled non-consolidated entities, joint ventures and affiliates, intra-group reinsurance and MCT related data are also requested.

MCT Changes:

There have been many recent changes made to the Minimum Capital Test (MCT) Guideline which have precipitated changes to the way MCT data is reported in the interim and annual regulatory reports. Significant changes have been made to pages 30.70, 30.71, 30.73, 30.80, 30.81 and 30.92, and new pages 30.62, 30.64, 30.66, 30.75, 30.77 and 30.79 have been added. An analysis of some of the impacts of the changes to the MCT Guideline as disclosed in these revised pages of the Q1 2015 regulatory returns is included in a separate article by Joel Baker in this issue of the MSA Quarterly P&C Outlook Report.