AUTORITÉ DES MARCHÉS FINANCIERS

Actuary's Guide on P&C Insurers Policy Liabilities

Senior Direction for Insurers Supervision

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1. Introduction

This Guide is intended for actuaries of property and casualty Quebec chartered insurers. However, the AMF considers the use of the Actuary's Guide to be a sound management practice for all insurers authorized to carry on activities in Quebec .

It sets out the requirements of the *Autorité des marchés financiers* (AMF) with respect to the content and format of the report required under section 128 of *Insurers Act,* CQLR, c. A-32.1 (the "Act"). The Guide does not limit in any way the information the report may contain. Actuaries should include any information in addition to that indicated in this Guide that will ensure an understanding of their work.

As required under section 129 of the Act, the actuary must apply generally accepted actuarial practice. However, he should also take into account any changes made thereto by the AMF. Consequently, the actuary must comply with accepted actuarial practice, as required by the Standards of Practice of the Canadian Institute of Actuaries (CIA) with respect to the valuation of policy liabilities, the discounting of provisions and the assessment of margins for adverse deviation, subject to any specific AMF requirements.

2. Notes on Regulatory Requirements

2.1 Presentation of Actuary's Certificate Attached to General Purpose Financial Statements

The AMF assumes that the amounts forming the basis of the actuary's report submitted to it in accordance with this Guide are the same as those included in the policy liabilities valuation report prepared by the actuary for the insurer's shareholders or policyholders. Should this not be the case, the actuary must discuss and justify in his report to the AMF any deviation between the two reports.

2.2 Differences Between Actuary's Valuations and Corresponding Annual Return Liabilities

If the gross, ceded and net provisions in the regulatory returns differ from the actuary's estimated liabilities by more than the Actuary's selected standard of materiality, the actuary must include a discussion of the reasons for the differences.

2.3 Educational Notes

The Canadian Institute of Actuaries (CIA) annually issues an educational note from the Committee on Property and Casualty Insurance Financial reporting (PCFRC) named "Guidance to the Appointed Actuary and Valuation actuaries of Property and Casualty Insurers". In addition, other educational notes are issued which clarify standards. While the educational notes are not standards, the Appointed Actuary should disclose when the educational notes are not followed as well as the supporting justification.

2.4 Capital target ratio

The internal target capital ratio in effect at the end of the current fiscal year must be disclosed.

3. Specific Insurance Class Considerations

3.1 Accident and Sickness Insurance

This Guide is not necessarily complete with respect to the valuation of policy liabilities for the accident and sickness insurance class. Actuaries who value policy liabilities for this class of insurance should refer to the *Actuary's Guide on Insurers of Persons' Policy Liabilities* published by the AMF and available on its website. The actuary's certificate described later in this document and included in the report should cover these related provisions.

3.2 Marine Insurance

Marine insurance business, if transacted, must be included within the scope of the report. The actuary's provisions for marine insurance should be clearly identified in the report.

3.3 Title Insurance

Premiums for title insurance are earned at issue and therefore, unearned premium reserves are not usually required. The accident date for all claims is the issue date of the policy as most problems with the title that could cause a claim would be in existence at the issue date of the policy.

4. Format of Report

The PDF of the report on the policy liabilities should not be protected by a password or any other security measure.

4.1 Table of Contents

The report must include a table of contents in which the different sections should be identified. All pages of the report should be numbered and references to the pages should be indicated in the table of contents. In the PDF version filed with the AMF, the table of contents should be created in such a way as to facilitate navigation within the report.

4.2 Outline of Report

Although the exact content of the report is left to the actuary's professional judgment, the AMF requires that actuaries include the following sections in their reports and in the following order:

- Introduction
- Executive Summary
- Actuary's Certificate
- Purpose and Scope of Report
- Data
- Policy Liabilities
- Specific disclosure requirements
- Database and Related Exhibits
- Unpaid Claims and Loss Ratio Exhibits

5. Contents of Report

5.1 Introduction

This section should identify the company involved, the date of the valuation, the identity of the actuary responsible for the valuation of provisions and reserves, his full business address, email address and telephone number, and the actuary's authority for preparing the report. The scope of the report should be clearly identified.

5.2 Executive Summary

This section should contain a summary of the key results and findings and any other information the actuary wishes to bring to the attention of the reader. In particular, it should comment on the development of discounted unpaid claims and adjustment expenses during the current year for all classes of insurance combined. It should also reference any significant changes in methods or assumptions from the prior report, significant issues or concerns identified by the actuary and how they were resolved, and any other unusual circumstances identified as part of the valuation. **Any deviations from CIA standards or the additional requirements set out in this Guide must be justified in this section.**

In addition, the actuary must briefly explain and comment on in this section as well as in detail in all the other sections of the report where it is relevant the impact that the COVID-19 pandemic has had for the insurer and the adjustments that were made in this year's policy liabilities valuation to take it into account. For this purpose, the actuary may refer, among others, to the document *2021 Guidance to P&C actuaries: Special considerations due to COVID-19* which is available on the website of the Canadian Institute of Actuaries.

5.3 Actuary's Certificate

In accordance with section 128 of the Act, the report of the actuary designated to value the provisions and reserves must be accompanied by a certificate.

To ensure that the certificate presentation is as uniform as possible, the actuary must use the format set out in Appendix 1. The actuary's certificate should be presented on one page only and all certificate amounts should be presented in thousands of dollars.

The certificate wording is as recommended in the CIA *Standards of Practice –Insurance*. The certificate must state the amounts of the liability figures derived by the actuary and those carried in the regulatory return. The certificate must also contain the following wording: "I am

satisfied that the data utilized for the valuation of these liabilities are reliable and sufficient. I verified the consistency of the valuation data with the insurer's financial records". The AMF will consider any different wording as a qualification.

To reflect changes that have come into force since the 2015 financial statements in connection with the financial operations in the case of inter-company pooling reinsurance agreements, the wording of the line 9 in the section "Premium Liabilities" of the certificate has been changed of "Unearned Commissions" for "Unearned commissions + Ceded deferred premium taxes + Ceded deferred insurance operations expenses".

Since the implementation of IFRS, consolidated reporting is now required within P&C regulatory returns. For capital purposes, the consolidated entity includes the parent company and all subsidiaries that carry on business that the parent could carry on directly pursuant to the *Insurers Act.* The above rule does not apply to life company subsidiaries, which are to be reported using the equity method. AMF anticipates that most actuaries will continue to prepare non-consolidated actuary's report. However, an additional exhibit and commentary must be provided to reconcile the information within the actuary's report to the consolidated opinion. Actuaries will be expected to value non-Quebec chartered subsidiaries under Canadian generally accepted actuarial practices and include these actuary's reports as appendices or as a separate part of the actuary's report.

Finally, the certificate must be signed, and the signature must be presented in the form of an image which is inserted in the certificate (as opposed to having the entire page of the certificate scanned).

5.4 Purpose and Scope of Report

5.4.1 History and Changes

The actuary should provide a brief history of the insurer and indicate changes over the past several years and their potential impacts on the valuation of policy liabilities, in particular:

- Ownership structure;
- Underwriting policies;
- Marketing methods (distribution networks);
- Target client groups;

- Claims policies and procedures;
- Business by class of insurance.

The actuary should also provide a detailed description of the lines/classes of business written by focusing on the specific features of each one.

Finally, the actuary must indicate whether the company is exposed to extraordinary losses (earthquakes, catastrophes, environmental liability, class actions, etc) and also disclose and explain these types of exposures, if any.

5.4.2 Materiality Standard

In his report, the actuary should disclose and explain the method used to determine the materiality selected for his valuations. To do so, he could take into account the results of the Minimum Capital Test (MCT) included in the regulatory return. The actuary must also report the Annual return materiality standard and explain how this materiality standard is applied in the valuation of actuarial liabilities.

5.4.3 Reinsurance

The actuary should provide a full summary of the ceded reinsurance program for the current year and the subsequent year. This summary should include all significant clauses in ceded reinsurance treaties or arrangements and their **order of application**.

In this sense, the actuary must produce a reinsurance program summary in the format shown in Appendix 2. Please note that the figures presented in this appendix are for example only.

In addition, where applicable, the actuary must present and complete the following table in the reinsurance section of the report (not in the appendix) and comment on it:

Applicable catastrophe reinsurance treaty	Current year	Next year
Retention[1]		
Maximum reinsurers' commitments[2]		
Amount payable by the insurer above the retention, if applicable[3]		
Amount of losses from which the catastrophe treaty is no longer applicable[4]		

[1] Total amount payable by the insurer before the reinsurers start to pay
[2] Maximum total amount that may come from reinsurers in the event that a catastrophic loss reaches the upper limit of the catastrophe reinsurance program
[3] In the event that the catastrophe reinsurance program is not 100% placed, corresponds to the sum of the amounts that will remain payable by the insurer between the retention and the upper limit of the catastrophe reinsurance program
[4] Must correspond to the sum of the retention, the maximum reinsurers' commitments and the amount payable by the insurer above the retention

To enable readers to fully appreciate the relevance of the reinsurance program, the actuary should state the principles underlying the reinsurance program, for example, the maximum probable loss and explain in detail how the catastrophe program limit and retention have been determined. It would also be relevant to mention to what extent the current limit would cover the insurer's main risks.

Here is an example of how the AMF expects the table to be completed and commented on for an insurer that would have only one catastrophe reinsurance treaty covering 80% of $ 90 million in excess of $ 10 million for the current year and a catastrophe reinsurance treaty covering 90% of $ 150 million in excess of $ 11 million for next year:

Applicable catastrophe reinsurance treaty	Current year	Next year
Retention	10 M$	11 M$
Maximum reinsurers' commitments	72 M$	135 M$
Amount payable by the insurer above the retention, if applicable	18 M$	15 M$
Amount of losses from which the catastrophe treaty is no longer applicable	100 M$	161 M$

In this example, the actuary could for example mention that:

"The retention, the amount payable by the insurer above the retention, and the current year limit have been established so that the insurer does not have to pay more than 10% of equity or 5% net earned premiums in the event of an earthquake in western Canada with a frequency of once every 500 years. This limit would also cover winter storms, which are natural disasters to which the insurer is most exposed, up to a probable maximum loss occurring once every 250 years. The retention has been established to correspond to a maximum of 5% of equity.

The reinsurance program for the following year is based on the same principles, except that earthquakes in the west are now covered up to a claim with a frequency of once every 750 years and storms winter conditions are now covered up to a probable maximum loss of approximately once every 350 years, which explains the significant variations in the table above."

In addition, the actuary should judge the relevance of ceded reinsurance programs for each of the two years in relation to the insurer's current and future obligations. He should also identify any "coverage gaps" and other features of these programs.

The actuary should also describe any changes in ceded reinsurance contracts during the experience period used in the report (including changes in retention or limits) and, in particular, for all years where ceded unpaid claims could be material and explain the reasons for this (these) change(s).

Also, the actuary should describe any assumed reinsurance arrangements (type of arrangement; significant clauses and conditions) and any changes in the arrangements during the prior year and anticipated in the subsequent year.

The actuary should disclose any related party ceded and/or assumed reinsurance that has or could have a material impact on the policy liabilities. The disclosure should include the parties involved, a description of the reinsurance and the impact on policy liabilities.

Lastly, he must disclose, where applicable, the existence of any non-traditional ceded reinsurance arrangements, such as catastrophe bonds (cat bonds) or agreements where there is no significant insurance risk transfer, as well as the nature of these agreements and the coverage involved. If no such agreements exist, he should state as such. He should also describe the process used to reach the above conclusion.

5.5 Data

The actuary should describe the extent of his review and the verification of the data. He should also state whether he has relied on data prepared by others. The methods and procedures used to ensure that the validation data are sufficient, reliable and accurate should be clearly and precisely described.

In particular, the report should describe the type of data provided and the review and verification procedures applied thereto and the procedures and steps undertaken to ensure that the validation data are sufficient, reliable and accurate.

The requirement under the Act that the actuary file a report with the regulatory return assumes that the actuary has met the standard of care, as required by the CIA. In particular, this requires that the actuary establish suitable check procedures to verify that the data utilized are reliable and sufficient for the valuation of policy liabilities.

Where the actuary relies on the external auditor for data validation, the actuary must identify the auditor and state the extent of his work.

The actuary should also indicate any use of the work of another actuary. The scope of such use must be disclosed and justified. He must also describe the extent of the review of the other actuary's work and provide the name of the actuary. In addition, any information required by the AMF must also appear on the report. Moreover, the actuary must attach to his report a copy of the other actuary's reports, with the exception of those relating to the PRR (*Plan de Répartition des Risques*), Facility and the RSP (Risk Sharing Pool).

The actuary should also indicate the closing date for the books and any change in prior-year valuations for each year of experience used.

Finally, the actuary must provide an exhibit reconciling actuarial data and accounting data for the current year, for each line of business, on a gross and net basis, for each of the following: earned premiums, unpaid claims and external loss adjustment expenses (on a case reserves) and paid claims and external loss adjustment expenses.

5.6 Policy Liabilities

5.6.1 General

Although the exact content of the report is left to the actuary's professional judgment, he should provide a detailed description of the assumptions and methods used to value provisions for each line of insurance. He should also stipulate and justify the criteria underlying his choices.

In particular, the report should contain different sections in which the methods and assumptions are described in detail. In addition, the different components of policy liabilities should be valued individually and the sections should contain references to the related database exhibits attached to the report (see Section 5.8 of this Guide).

The term "policy liabilities" includes claims liabilities and premium liabilities. The actuary's report should therefore cover both of these liabilities.

It is important to note that since December 31, 2003, all Québec chartered insurers have been required to report discounted actuarial liabilities in the regulatory return.

For each line of insurance, the actuary's report must explain and justify the choices made to determine the components of policy liabilities.

The actuary should perform an in-depth valuation of policy liabilities for direct business and accepted reinsurance business. For accepted business, he must indicate the treatment used for proportional and non-proportional reinsurance and/or for any other business lines aggregated for valuation purposes.

Finally, the actuary must complete Appendix 3, which reports changes in estimated current-year claims and premium liabilities against prior-year estimates. He must explain the reasons for **material** changes (lesser of materiality standard and 10%).

5.6.2 Claims Liabilities

5.6.2.1 Discounted Claims Liabilities

The assumptions and methods used to calculate claims liabilities provisions should be described by line of business and for each of the following:

- Case-by-case reserves;
- Provision for external and internal adjustment expenses;
- Provision for claims incurred but not reported (IBNR);

- Discounting and margins for adverse deviation (emergence, interest and reinsurance).

The actuary should explain how the following were considered in the valuation:

- The insurer's ultimate loss ratios for prior years;
- Significant changes observed in frequency and severity of claims;
- Changes made in the prior year and during the experience period to claims recording, review and payment methods, or any change that would impact the valuation of provisions, including a change in the pattern of the reporting and/or payment of claims. The nature of the changes made or observed and the anticipated impact on the emergence of provisions must be indicated;
- The establishment of provisions for specific and/or catastrophic claims. The actuary should indicate what he considers as a specific or significant loss and the criteria used for that purpose, for each class of insurance. The actuary must also indicate aggregate gross and net year-end case reserves for each accident year. Lastly, he should indicate the expected emergence measured against all such case reserves if different than the expected loss emergence for aggregate reserves;
- The establishment of provisions for environmental civil liability and class action claims;
- The establishment of provisions for claims arising from participation in pools (e.g., PRR), including affiliate pools;
- The effect of changes to the reinsurance program during the experience period used for the provisions and reserves evaluation;
- The effect of the adoption of regulatory changes;
- The existence of a significant insufficiency in prior-year unpaid claims and adjustment expenses made as a result of the reserve valuation process;
- The determination of emergence factors for long-tail lines of business, in particular, the determination of residual loss emergence or "tail" factors;
- The materiality of amounts recoverable for salvage and subrogation. If these amounts are included with unpaid claims and adjustment expenses and presented as "Other amounts to recover";
- The impact of future income taxes;

- Any other significant or specific aspect of the claims liabilities valuation (For example: If the company has exposure to mass tort and latent claims (including potential exposure emanating from residential schools)), or if the company has had a subsequent event, the Appointed Actuary should discuss the nature and treatment of those claims in the calculation of the provisions for unpaid liabilities.

The actuary must complete Appendix 4 (*Changes in Methods and Assumptions for Unpaid Claims and External Adjustment Expenses*) and Appendix 5 (*Changes in Estimates Unpaid Claims and External Adjustment Expenses*) by line of business and accident year, on a gross and net basis. Where applicable, the actuary should also complete Appendix 6, which refers to changes in methods and assumptions for calculating unpaid internal adjustment expenses by line of business.

Note: **Internal Claims Expenses**

The actuary should take into account a reinsurer's specific circumstances. For example, internal expenses reimbursed by a reinsurer to a ceding company are not claims expenses in the true sense, but rather indemnities, and therefore should not be considered in the valuation of the internal loss expense provisions for these reinsurers.

5.6.2.2 Ceded Reinsurance

The report should indicate the amounts that will be recovered from reinsurers on which the actuary has relied to conclude the adequacy of provisions. This provision for ceded reinsurance must take into account, in addition to the margin for reinsurance, defaults, disputes, the time value of money due to delays in payment or other reasons that could reduce the recoverable. The report should clearly indicate where none of the above reductions are made to the provision for ceded reinsurance.

When making this estimate it is not expected that the actuary will necessarily assess the financial condition of each reinsurer. However, the existence of any of the following situations and the actions taken should be described:

- A dispute has arisen with a reinsurer;
- A reinsurance collectible is significantly overdue;
- The reinsurer has a history of not settling accounts promptly;
- The reinsurer is known to have been the subject of regulatory restrictions in its home jurisdiction;

- The reinsurer has a poor credit rating.

The actuary should mention that he has discussed reinsurance matters with management and the external auditor of the insurer to determine whether there are unusual problems and/or delays expected to be encountered in collecting the relevant amounts from reinsurers.

Where reinsurance agreements changed or were repurchased, the actuary should clearly indicate how any changed arrangements were taken into account in his estimate.

5.6.2.3 Other Liabilities

The actuary must describe provisions for self-insured retention policies and provide details of their calculation. These amounts must be reported as “Other liabilities” and be included in “Other recoverables on unpaid claims” in the certificate. As a result, they should be excluded from direct unpaid claims, assumed unpaid claims and net unpaid claims.

Any other amount that may be considered "other claims liabilities" must appear in the opinion and be accompanied by appropriate comments, where applicable.

The actuary must also complete point 2 of Appendix 3 and explain the reasons for any **material** differences (lesser of materiality standard and 10 %).

5.6.2.4 Comparison of Experience

The actuary must produce an exhibit comparing actual data with prior-year estimates on a discounted basis. He must compare paid losses and investment income earned during the current year with the prior year-end provision for unpaid claims and adjustment expenses. This exhibit (Appendix 7) should be completed on a gross and net basis for each line of business, as well as for all lines combined (Total) and by year, according to the basis of presentation. The actuary must also explain any **material** differences (lesser of materiality standard and 10 %).

Lastly, the actuary must ensure that the total development during the current year of the provision for unpaid claims and adjustment expenses at the prior year-end on a net discounted basis, is reconciled with the amount reported on page 93.20 (line 89 in column 19) of the annual return except in the cases where the basis of presentation is by report year that ends on a different date of December 31 or by policy year. Any difference must be justified.

CIA Educational Note *Evaluation of the Runoff of P&C Claim Liabilities when the Liabilities are Discounted in Accordance with Accepted Actuarial Practice*, published in June 2011, states that for the purposes of his report, the actuary should value the development of provisions using different components (emergence and changes in methodology and assumptions).

5.6.3 Premium Liabilities

5.6.3.1 Discounted Premium Liabilities

The assumptions and methods used to estimate premium liabilities must be described by line of business and for each of the following components:

- Future cost of claims and external and internal adjustment expenses;
- Maintenance costs;
- Costs of ceded reinsurance;
- Discounting and margins for adverse deviation (emergence, interest and reinsurance).

The actuary must disclose how the following were considered:

- Various adjustments to indicators used to calculate the expected loss ratio on unearned premiums at the valuation date, including the ultimate incurred loss ratios by the insurer in prior years, expected changes in the frequency and severity of claims, seasonality and rate changes;
- The impact of changes to the ceded reinsurance program during the experience period used for projections;
- The impact of legislative changes;
- Expected changes in the cost of non-proportional reinsurance;
- Premium collection periods
- Any other significant or specific aspect of the premium liabilities valuation (For example: The consideration of subsequent events and their nature.).

In addition, the actuary must complete Appendix 8, which shows changes in assumptions for premium liabilities by line of business.

Note: **Deferred Policy Acquisition Expenses**

The actuary should express an opinion on actual policy acquisition expenses incurred and recoverable at the valuation date. His opinion should also cover the determination of maximum deferred policy acquisition expenses or the additional premium deficiency provision by considering the above items.

The maximum deferred policy acquisition expenses or provision for premium deficiency is the difference between net unearned premiums and net unearned premium liabilities, plus unearned commissions and the provision for premium deficiency from the PRR, where applicable.

5.6.3.2 Other Liabilities

Certain other components not considered by the actuary in the valuation of unearned premium liabilities should be valued as other liabilities. For example:

- Retroactive adjustments of premiums and/or reinsurance commissions related to reinsurance treaties where the premium rate and/or ceding commission vary based on claims experience;
- Provisions for retrospectively rated policies;
- An adjustment clause for inflation or automatic premium reinstatements;
- Provisions for contingent commissions;
- Committed liabilities, such as advance premiums on non-cancellable polices.

The actuary should describe how the preceding components were valued, and if they were not valued, explain why. The actuary must also complete point 5 of Appendix 3 and explain the reasons for any **material** differences (lesser of materiality standard and 10 %).

5.7 Specific disclosure requirements

5.7.1 New appointment

If the actuary was appointed to the role during the last year, the following disclosures must be made in the report:

- date of appointment;
- date of resignation of the previous actuary, if appropriate;
- date on which AMF was notified of the appointment;
- confirmation that the actuary has requested a copy of the declaration under section 123 of the Insurers Act, if appropriate;
- list of the actuary's qualifications, keeping in mind, but not limited to, the CIA's Rules of Professional Conduct.

5.7.2 Annual presentation of the report to the Board or audit committee

The appointed actuary must disclose in the report, the date on which he/she presented his/her report on the policy liabilities to the board or the audit committee of the board for the last year. Otherwise, specify that the report has not been presented.

The AMF considers as good practice that the appointed actuary's presents his report to the Board or the Audit Committee.

5.7.3 Continuing professional development requirements

The appointed actuary must disclose in his/her report that he/she is in compliance with the Continuing Professional Development requirements of the CIA.

5.7.4 Disclosure of compensation

Given their responsibilities conferred under the Act, actuaries who may receive compensation based on performance (i.e., the insurer's net income) or compensation that could create a conflict of interest must disclose this fact in writing to the principal users of their work.

Therefore, the actuary should briefly describe the method used to determine each portion of his compensation (specifically, salary, bonuses and fringe benefits) that is based on the insurer's performance (i.e., net income) or that could give rise to a conflict of interest in any way. The actuary must further disclose if he is a participant in a stock option plan or holds any shares of the insurer or of a related company.

5.7.5 Re-submitting the report

The appointed actuary must disclose the reason for the new deposit in his report.

5.7.6 Reporting relationships of the appointed actuary

The appointed actuary must disclose its reporting relationships and dependencies.

The appointed actuary who is an employee of the company must disclose the name and position of the person (or persons) to whom he/she reports as well as any changes in this regard over the past year. This includes both direct and indirect reporting relationships. Any anticipated change should also be disclosed.

The appointed actuary who is not an employee of the company must disclose the names and titles of key contacts with whom he/she exchanges. Thus, the information would include the name and title of the following:

- The person who has hired the appointed actuary; and
- The company employees with whom the appointed actuary discusses findings and reports.

5.8 Database and Related Exhibits (Applicable to Claims Liabilities and Premium Liabilities)

The actuary's report should provide the figures that will make up a summary database and a series of related exhibits for each line of business. This information should be sufficiently detailed so that actuarial provisions and reserves can be recalculated. References to the database and exhibits must be clearly indicated in the actuary's report to ensure efficient use of the report.

For each line of business, the summary database should include historical data that can be compared easily with the insurer's accounting data. These data must be constructed on a gross and net basis. The actuary must justify any differences between the database and the insurer's accounting data.

The actuary must clearly identify, on each exhibit and in the table of contents, the basis on which the data are presented (gross or net). He must specify whether the meaning he gives to these terms corresponds to their definition in the regulatory returns. He must further indicate whether the data include external or internal adjustment expenses.

The related exhibits are divided into two series: interim exhibits and summary or reconciliation exhibits.

For each line of business, the interim exhibits include any necessary changes, adjustments, calculations, combinations and analyses with respect to the summary database. These exhibits should include the tail factors determined or used by the actuary. The summary or reconciliation exhibits include the calculation of the final projections used by the actuary to determine fair and sufficient provisions.

All discounting data must be provided and the following complementary information should be disclosed by class or sub-class of insurance:

- Discount rate used for the valuation;
- Payment schedule (amounts paid and incurred) or the disability table and underlying assumptions for this table;
- Information on the margin for adverse deviation.

The exhibits should be sufficiently documented to enable the AMF to understand and retrace each of the steps of the valuation of claims liabilities and premium liabilities. Each actuary is responsible for adequately documenting the exhibits for this purpose. This will minimize the possibility of any subsequent correspondence required between the AMF and the actuary. The AMF reserves the right to request additional information.

5.9 Unpaid Claims and Loss Ratio Exhibits

The actuary must complete the *Unpaid Claims and Loss Ratio Analysis Exhibits*. Instructions accompany these exhibits. The exhibits and the related instructions are available on the AMF website at https://lautorite.qc.ca/en/professionals/insurers/disclosures/pc-insurance/. These exhibits must be clearly referenced in the table of contents.