



OSFI EARTHQUAKE EXPOSURE DATA FORM INSTRUCTIONS

APPLICATION

This form applies to ALL federally regulated property and casualty insurance companies that are not mortgage insurance companies (insurers) regardless of whether the company has earthquake exposure or not. The form can be either completed on an individual company level or on a group level. Currency amounts should be in Canadian dollars or the Canadian dollar equivalent.

OSFI will send an annual Memorandum – Earthquake Exposure Data, at the beginning of each year to remind companies to file for the current reporting year (i.e. current calendar year).

GENERAL INSTRUCTIONS

The following instructions are provided to assist insurers with filling in selected fields; hence instructions are not provided for every page or field in the Earthquake Exposure Data Form.

Contact Person

Contact person refers to the person to contact regarding any questions pertaining to the information submitted with this form.

Group Filing

FRFI Code

If the filing is done on a group level, one insurer is responsible for filing the group's earthquake exposure data. Other companies in the group are only required to provide contact information and the FRFI code of the company making the group filing in their forms.

List and Rationale

If the filing is done on a group level, the company that is submitting on behalf of the group must provide the rationale to support why a group level filing is appropriate and list all federally (with FRFI code) and non-federally regulated companies included in the filing. The formally incorporated names should be used (e.g., FRFI names).



Category Describing the Company's¹ Exposure to Earthquake Risk

Some sections of the form do not apply to all companies. Refer to options a, b and c to determine which category best describes the company's exposure to earthquake risk and complete applicable sections only as instructed. Section 6 only applies to primary insurers and section 7 only applies to reinsurers. Companies with both direct and assumed business should complete section 6.

Section 2 – Elements of the Reserving Formula

The purpose of section 2 is to provide information to demonstrate that OSFI's MCT requirements are met. To meet the MCT capital test, the following must hold: Net earthquake risk exposure \leq (Capital & surplus + Capital market financing + Earthquake reserves). Refer to the current MCT Guideline for further details.

Capital & surplus

Capital & surplus corresponds to a maximum of 10% of total equity for Canadian insurers or worldwide capital and surplus in Canadian dollars for Canadian branches. Refer to the current MCT Guideline for further details.

Total reinsurance collectable

Total reinsurance collectable should reconcile with the sum of catastrophe treaty collectable and other reinsurance collectable in section 2.1.

Section 3 – Model Selection

If one or more external models are used, specify the names and versions of the models used in section 3.1 and select Y (Yes) to indicate whether the models are operated by internal staff, reinsurance broker and/or others. If an internal model is used, provide a brief description of the company's internal estimation technique or model approach in section 3.2.

¹ If the filing is done on a group level, company refers to the group for the remainder of the form.

Section 4 – Non-modeled Perils and Model Operations

Section 4.1

For each of the perils listed,

- If the peril is included in the model output without post-model adjustment(s), then select Y and summarize the underlying assumptions;
- If post-model adjustment(s) is made to the model output, then select Y and describe your assumptions; and
- If the peril is not deemed necessary, then select N and provide an explanation.

Section 4.3

If adjustments for data quality or model deficiencies are made to the model output, provide the dollar amount change to the PML estimate that results from these adjustments. If the **Other** adjustment space is used, provide a brief description in the space provided.

Section 6 – Model Results for Primary Insurer

Section 6.1

If data in this section includes post-model adjustments in section 4, the PMLs are expected to reconcile with those reported in section 2.

In general, fire property total insured value (PTIV) is expected to be greater than or equal to shake PTIV; if shake PTIV is greater than fire PTIV provide a brief explanation.

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

Section 6.3

Sum of PML500 from primary and assumed risks is expected to reconcile with section 6.1 if data are recorded on the same basis for both sections.

Section 6.4

Provide the distribution of the level of geographic location detail that best describes how original PTIV data are recorded in the company's system. When more than one level of geographic location detail is applicable, the highest level of detail should be reported (i.e., each column should sum up to 100%).

Section 7 – Model Results for Reinsurer

In Section 7.1, if data in this section includes post-model adjustments in section 4, the PMLs are expected to reconcile with those reported in section 2.