

Understanding BCAR for Canadian Property/Casualty Insurers

Exhibit C.8: Sample B6 Calculation

Net Premiums Written Risk (B6)
(\$ Thousands)

Class of Insurance	Net Premiums Written				
	(1) %	(2) Statement \$ Amount	(3) Allocated Adjustment	(4) Manual Adjustment	(5) Adjusted (2) + (3) + (4)
Personal Property	4.8	20,000	0	0	20,000
Commercial Property	3.6	15,000	0	0	15,000
Aircraft	3.8	16,000	0	0	16,000
Auto Liability	8.4	35,000	0	0	35,000
Auto Pers Accident	2.9	12,000	0	0	12,000
Auto Other	6.0	25,000	0	0	25,000
Boiler&Machinery	3.6	15,000	0	0	15,000
Credit	4.1	17,000	0	0	17,000
Credit Protection	4.3	18,000	0	0	18,000
Fidelity	4.5	19,000	0	0	19,000
Hail	4.8	20,000	0	0	20,000
Legal Expense	5.0	21,000	0	0	21,000
Liability	6.7	28,000	0	0	28,000
Mortgage	3.3	14,000	0	0	14,000
Other Approved Products	3.8	16,000	0	0	16,000
Surety	5.3	22,000	0	0	22,000
Title	6.0	25,000	0	0	25,000
Marine	6.5	27,000	0	0	27,000
Accident&Sickness	5.5	23,000	0	0	23,000
Warranty	7.2	30,000	0	0	30,000
Total	100.0	418,000	0	0	418,000

Class of Insurance	Capital Factors			
	(6) VaR 95	(7) VaR 99	(8) VaR 99.5	(9) VaR 99.6
Homeowners/Farmowners	0.263	0.398	0.452	0.468
Personal Auto Liability	0.246	0.373	0.423	0.438
Commercial Auto Liability	0.242	0.367	0.416	0.432
Workers Compensation	0.210	0.314	0.354	0.367
Commercial Multiperil	0.210	0.314	0.354	0.367
Medical Prof Liab - Occurrence	0.185	0.276	0.310	0.322
Medical Prof Liab - Claims Made	0.242	0.367	0.416	0.432
Special Liability	0.229	0.345	0.390	0.405
Other Liability - Occurrence	0.229	0.345	0.390	0.405
Other Liability - Claims Made	0.238	0.359	0.406	0.422
Products Liability - Occurrence	0.246	0.373	0.423	0.438
Property	0.259	0.394	0.447	0.464
Auto Physical Damage	0.259	0.394	0.447	0.464
Fidelity & Surety / Guaranty	0.238	0.359	0.406	0.422
Other	0.229	0.345	0.390	0.405
International	0.238	0.359	0.406	0.422
Reinsurance A	0.141	0.207	0.232	0.240
Reinsurance B	0.242	0.367	0.416	0.432
Reinsurance C	0.229	0.345	0.390	0.405
Warranty	0.194	0.289	0.327	0.338
Total	0.226	0.341	0.385	0.400

	Required Capital Amount			
	(10) (5) * (6)	(11) (5) * (7)	(12) (5) * (8)	(13) (5) * (9)
	VaR 95	VaR 99	VaR 99.5	VaR 99.6
Homeowners/Farmowners	5,260	7,960	9,040	9,360
Personal Auto Liability	3,690	5,595	6,345	6,570
Commercial Auto Liability	3,872	5,872	6,656	6,912
Workers Compensation	7,350	10,990	12,390	12,845
Commercial Multiperil	2,520	3,768	4,248	4,404
Medical Prof Liab - Occurrence	4,625	6,900	7,750	8,050
Medical Prof Liab - Claims Made	3,630	5,505	6,240	6,480
Special Liability	3,893	5,865	6,630	6,885
Other Liability - Occurrence	4,122	6,210	7,020	7,290
Other Liability - Claims Made	4,522	6,821	7,714	8,018
Products Liability - Occurrence	4,920	7,460	8,460	8,760
Property	5,439	8,274	9,387	9,744
Auto Physical Damage	7,252	11,032	12,516	12,992
Fidelity & Surety / Guaranty	3,332	5,026	5,684	5,908
Other	3,664	5,520	6,240	6,480
International	5,236	7,898	8,932	9,284
Reinsurance A	3,525	5,175	5,800	6,000
Reinsurance B	6,534	9,909	11,232	11,664
Reinsurance C	5,267	7,935	8,970	9,315
Warranty	5,820	8,670	9,810	10,140
Total	94,473	142,385	161,064	167,101

Diversification Factor:	0.60	0.60	0.60	0.60
Growth Factor:	1.05	1.05	1.05	1.05
(B6) NPW Risk Required Capital Amount:	59,518	89,703	101,470	105,274

Growth Charge

This charge reflects the sizable risk a rating unit faces when bringing in substantial new business based on weaker underwriting and pricing standards or lack of market knowledge. The calculation of the premium growth charge is identical to the calculation of reserve growth charge and is applied directly to the aggregate required capital for premium risk.

