



August 13, 2019

To: Federally Regulated Insurers (FRIs)

Subject: OSFI's Activities with respect to IFRS 17

The move to International Financial Reporting Standard 17 - *Insurance Contracts* (IFRS 17) is a significant undertaking for the industry and OSFI. With continued collaboration, we will be positioned to address the implications on a timely basis. This letter provides industry with a summary of OSFI's milestones and activities as we support a robust implementation of IFRS 17.

Accounting Guidance

On June 26, 2019, the International Accounting Standards Board (IASB) released an exposure draft proposing amendments to IFRS 17¹, one of which is a deferral of the effective date by one year to January 1, 2022.

If the IASB approves the amendments to IFRS 17 including the new effective date, and the Canadian Accounting Standards Board incorporates them into the CPA Canada Handbook, OSFI will revise its publicly posted advisories and update the timeline for the key milestones communicated in its June 27, 2018 Capital letter accordingly.

Additionally, in the fall of 2019, OSFI will hold consultative discussions on IFRS 17 Accounting Policy choices with FRIs to understand positions taken and determine if there is consistency and /or comparability of IFRS 17 application across the Canadian industry.

Capital Guideline Review

In its June 27, 2018 letter, [LICAT and MCT 2021 Review for IFRS 17](#), OSFI communicated to federally regulated life and property and casualty insurers its plans for adapting the insurance capital guidance for IFRS 17. This letter included timelines for completing key milestones in revising Guideline A – *Life Insurance Capital Adequacy Test* (LICAT) for life insurers and Guideline A – *Minimum Capital Test* (MCT) for property and casualty (P&C) insurers.

In September 2018, OSFI consulted with various insurance industry participants and distributed updated draft LICAT and MCT 2021 guidelines, along with a questionnaire / data collection exercise. OSFI considered the responses, comments and data, and discussed the feedback it received with consultation participants to prepare revised guidelines.

¹ The exposure draft '[Amendments to IFRS 17 Insurance Contracts Standard \(IFRS 17\)](#)' is subject to a 90-day comment period, ending September 25, 2019.



In June 2019, OSFI released to various insurance industry participants its second draft LICAT and MCT 2022 guidelines, draft regulatory capital forms and instructions as well as Quantitative Impact Study (QIS) 1. The QIS 1 submissions are due October 31, 2019.

If the IASB approves the new IFRS 17 effective date, OSFI expects to add another directed consultation in June 2020. The directed consultation will cover near-final LICAT and MCT 2022 guidelines, forms, and QIS 2. QIS 2 may include sensitivity testing to assess the overall capital impact, and determine the need for calibration or transitional arrangements. OSFI intends to finalize the LICAT and MCT 2022 guidelines in 2021.

Regulatory Returns

In June 2019, the insurance industry was provided draft regulatory returns updated for IFRS 17. OSFI's goal is to launch a public consultation on the draft regulatory returns in November 2019. OSFI intends to finalize the regulatory returns by June 2020.

Progress Reporting

In September 2018 and March 2019, FRIs submitted progress reports on their implementation plans and levels of preparedness as outlined in OSFI's advisory: [IFRS 17 Transition and Progress Report Requirements for Federally Regulated Insurers](#). OSFI will continue to monitor IFRS 17 progress through these semi-annual progress reports.

OSFI encourages insurers to continue their efforts towards implementing IFRS 17 and use any additional time provided by the IASB for testing and quality assurance purposes. OSFI will continue to work with the industry and selected stakeholders to support a robust IFRS 17 implementation.

Please address any questions regarding this letter to David Correia, Director, Accounting Policy Division, by email at david.correia@osfi-bsif.gc.ca or by telephone at (416) 952-6607.

Sincerely,

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