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OSFI
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The OSFI Pillar

FROM THE OFFICE OF THE SUPERINTENDENT OF FINANCIAL INSTITUTIONS CANADA (OSFI)

Superintendent Addresses Sixth Annual National Insurance Conference of Canada

On October 1, 2012, Superintendent Julie Dickson spoke to the 2012 National Insurance Conference of Canada (NICC) in Quebec City. In her remarks, Ms Dickson commented on the need for the federally regulated property and casualty insurance companies to focus on strong governance and controls, earthquake risk, capital and own risk and solvency assessments. She also took the opportunity to comment on the need for Basel III in the banking sector.

“There is no single factor that you or OSFI can focus on to ensure the continuing stability of the property and casualty insurance sector – corporate governance, capital, ORSA, earthquake risk, among others – all are important to prudential regulation and supervision and to how you conduct your business.”

The complete speech is available [here](#).



2011-2012 Annual Report

On October 5, 2012, OSFI’s 2011-2012 Annual Report was tabled in Parliament by Finance Minister Jim Flaherty. The report outlines OSFI’s accomplishments and results against our goals, as well as our priorities for the 2012-2013 fiscal year.

OSFI’s priorities for the year were: responding to risks emanating from the economy; responding to risks emanating from regulatory reform; maintaining a high-performing and effective workforce and continuing to enhance our corporate infrastructure.

The full report, abridged “highlights” version and news release are available [here](#).



Life Insurance Regulatory Framework

On September 5, 2012, OSFI issued a Life Insurance Regulatory Framework to provide life insurance companies and industry stakeholders with an overview of regulatory initiatives that OSFI will be focusing on over the next few years. It outlines how the regulatory framework will evolve to ensure Canadians continue to benefit from a strong life insurance industry.

The Framework addresses issues such as corporate governance and risk management, evolving regulatory capital requirements, and promoting transparent information on the financial condition of life insurance companies.

Click here to view the [Framework](#).

"In laying out OSFI's initiatives, we hope to encourage discussion and strong participation by industry stakeholders in our regulatory development process," said Mark Zelmer, Assistant Superintendent, Regulation Sector. "Canadians have benefited from a strong life insurance industry and a flexible, effective regulatory framework. Our initiatives aim to ensure this continues."

Corporate Governance Guideline

On August 7, 2012, OSFI released a revised draft Corporate Governance Guideline for consultation. The guideline reflects current industry best practices and international standards. It sets out OSFI's expectations for corporate governance of federally regulated financial institutions (FRFIs), and applies to all FRFIs

except for the branch operations of foreign banks and foreign insurance companies. The final version of the guideline will be released before the end of the year.

The draft guideline is available [here](#).

The draft revised Guideline:

- ⇒ *Enhances the effectiveness of the board of directors by providing clarity around board responsibilities and competencies;*
- ⇒ *Strengthens the risk governance of FRFIs by requiring the development of a 'Risk Appetite Framework' to guide FRFIs' risk-taking activities; and*
- ⇒ *Improves the overall internal control framework of FRFIs by clarifying the roles of the chief risk officer and the audit committee.*

Capital Adequacy Requirements Guideline

On August 7, 2012, OSFI released a revised Capital Adequacy Requirements (CAR) Guideline for public consultation. The revisions were prompted by reforms made by the Basel Committee on Banking Supervision (BCBS) to strengthen global capital rules with the goal of promoting a more resilient banking sector. At the same time, OSFI restructured the guideline to improve ease of use, and ensure it remains comprehensive.



The draft CAR Guideline proposes combining Guideline A (for institutions using the simpler approaches) with Guideline A-1 (encompassing all approaches), into a single document. Each chapter is now presented as a separate document with a detailed table of contents. A final guideline will be issued in the coming months for implementation by institutions as of January 1, 2013.

The draft guideline is available [here](#).

Office of the Chief Actuary Seminar

On September 28, 2012, Chief Actuary Jean-Claude Ménard hosted a seminar at the Ottawa Convention Centre on the impact of demographic, economic and investment trends on the Canada Pension Plan. Speakers included Dr. Donald Raymond, senior vice-president and chief investment strategist, Canada Pension Plan Investment Board; Jean-Pierre Aubry, Economist and Associate Fellow, Centre for interuniversity Research and Analysis on Organization; James McNamee, Director, Horizontal Immigration Policy Division, Citizenship and Immigration Canada; and Dr. Peter Dungan, Adjunct Associate Professor of Business Economics, University of Toronto, Rotman School.

Jean-Claude Ménard's remarks can be found [here](#).

11th Actuarial Report on the Old Age Security Program (OAS)

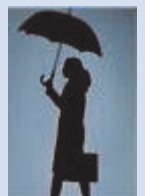
On August 22, 2012, the 11th Actuarial Report on the Old Age Security Program was tabled in Parliament.

Bill C-38 received Royal Assent on June 29, 2012. Part 4 of Bill C-38 amends the *Old Age Security Act* to gradually increase the age of eligibility for the basic OAS pension and GIS benefits from 65 to 67, commencing April 1, 2023, with full implementation by January 2029. The ages at which the allowance and allowance for survivor benefits are provided will increase in line with the eligible age for the OAS pension and GIS benefits, from between 60 and 64 to between 62 and 66, starting in April 2023.

The Report is available [here](#).

Draft Revisions to Earthquake Exposure Sound Practices Guideline

On August 15, 2012, OSFI released, for public consultation, a revised draft Guideline on Earthquake Exposure Sound Practices (Guideline B-9) and related draft capital changes to the Minimum Capital Test (MCT) Guideline for the property and casualty insurance industry. The revisions to Guideline B-9 include refinements in the areas of measuring risk and capitalizing against earthquakes. The related capital changes propose to update certain sections currently contained in Guideline B-9 and to move them into the MCT Guideline for ease of reference. Final versions are expected to be issued before the end of the year.



The draft guideline is available [here](#).

OSFI Signs the International Association of Insurance Supervisors' Multilateral Memorandum of Understanding

On August 2, 2012, the International Association of Insurance Supervisors (IAIS) announced that OSFI was among several insurance supervisors to have signed the IAIS Multilateral Memorandum of Understanding (MMoU), an international supervisory cooperation and information exchange agreement. There are now 30 jurisdictions admitted as signatories, representing approximately 45 per cent of worldwide premium volume.

“OSFI is pleased to be admitted as one of the IAIS MMoU signatories,” said Superintendent Julie Dickson. “Being party to this international initiative fosters our commitment to strengthening regulation and supervision of Canada’s federally regulated insurance companies.”

Pension Buy-in Annuity Policy Advisory

On September 7, 2012, OSFI issued a policy advisory to inform plan administrators of its expectations for federally regulated private pension plans regarding investments in buy-in annuity products issued by life insurance companies.



The advisory replaces the draft version issued for comment in January 2012. OSFI's expectations, as outlined in the September 7 version, are consistent with what was indicated in the draft version; however, changes have been made to provide additional clarity in some areas.

The policy advisory is available [here](#).

Minimum Continuing Capital and Surplus Requirements (MCCSR) Guideline Revisions

On July 13, 2012, OSFI issued for consultation a draft revised version of Guideline A, Minimum Continuing Capital and Surplus Requirements (MCCSR) for life insurance companies and fraternal benefit societies, which will come into effect on January 1, 2013.

The changes to the Guideline were made following comments received from insurers and industry stakeholders stating that the existing MCCSR provisions did not adequately provide for group policies where there was a sharing of risk between the insurer and the policyholder. In addition, changes were made to reflect recent changes in accounting treatment, including the introduction of IFRS 11 Joint Arrangements for joint operations or joint ventures and changes to IAS 19 Employee Benefits for defined benefit pension plans, effective for annual periods beginning on or after January 1, 2013.

The final Guideline will be released before the end of the year.

The draft Guideline is available [here](#).

What's New Online (www.osfi-bsif.gc.ca)

At the end of September 2012, OSFI released the returns and instructions for Deposit Taking Institutions, life insurance companies and property & casualty Insurance companies.

On July 16, 2012, OSFI released its response to the audit of the Life Insurance Group - Conglomerates (LIG - Conglomerates). These initiatives are directionally appropriate and have several positive aspects, notably enhancements to the group's structure and monitoring activities.

On July 19, 2012, OSFI posted the Instruction Guide for Authorization of Amendments Reducing Benefits on Defined Benefit Pension Plans.

More information is available on our website at www.osfi-bsif.gc.ca.

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The OSFI Pillar

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