



Letter

Title	Consultation outcomes - OSFI Guideline Consequential Changes as a Result of IFRS 17
Date	November 17, 2021
Sector	Life Insurance and Fraternal Companies Property and Casualty Companies

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To: All Federally Regulated Insurers (FRIs) [1](#)

OSFI sought comments over the summer on consequential changes to existing guidelines to reflect the adoption of International Financial Reporting Standard 17 - *Insurance Contracts* (IFRS 17). We would like to thank all those that contributed their time and expertise in responding to our request.

Our consultation asked for input on potential risks with proposed deletions, the appropriateness of the changes we proposed and sought other suggestions to refine guidelines to better reflect IFRS 17. The first annex to this letter outlines our proposals, summaries of comments received and our next steps.

The posting of final guidelines will be coordinated with the release of the final insurance capital guidelines in 2022. The rescinded guidelines proposed in the original consultation, found in Annex 2, will be removed from OSFI's



website in December of 2023. This delayed removal considers the range of year-end implementation dates for affected institutions.

Sincerely,

Renée Chen

Managing Director, Accounting Policy

Regulation Sector

ANNEX 1 - Summary of OSFI proposals, responses and next steps

The tables below are organized to correspond with the three questions posed in our consultation letter.

1. Potential risks with the proposed deletions and amendments

OSFI proposal	Summary of responses	Next steps
OSFI determined that a number of its guidelines may not be necessary following the adoption of IFRS 17 and IFRS 9 by all FRIs. The proposed guidelines, if rescinded, would no longer be in effect for annual periods beginning on or after the IFRS 17 effective date. However, they will remain effective for annual periods prior to that date and will be removed from OSFI's website in December of 2023.	No opposition to the proposed deletions. There was a request to maintain on our website the outdated versions of these guidelines once they are rescinded.	To avoid potential confusion for institutions accessing our website, archiving old versions is not a practical solution. OSFI recommends that institutions download their own archive versions based on their needs.
OSFI proposed deleting Guideline E 12 (Inter-Segment Notes for Life Insurance Companies).	Should guideline E 12 be deleted as proposed, there was a request to better understand any expectations OSFI may have regarding the continued use of inter-segment notes by life insurers upon adoption of IFRS 17 and IFRS 9.	There are a few sections (i.e. Notes affecting any participating accounts) that may be specifically addressed in another appropriate Guideline (e.g. Guideline E 16). While CALM valuations will no longer be a driver of asset management under IFRS 17, we do expect insurers to continue using appropriate asset management principles.



2. The appropriateness of the text of proposed changes

OSFI proposal	Summary of responses	Next steps
OSFI proposed minor changes to update references in guideline D 5 <i>Structured Settlements</i> .	Comments suggested that once adopted IFRS 17 contains sufficient rules for the accounting of insurance contracts, including derecognition and modification. The continued application of guideline D 5 may be redundant and possibly unintentionally confusing for insurers to apply.	OSFI will revisit this guideline following an assessment of the QIS 3 results and in context of other policy priorities. OSFI will make any necessary terminology updates. We will proceed with terminology updates and references prior to the implementation date.
OSFI proposed amendments to update references in the IFRS 9 Financial Instruments and Disclosures Guideline	Comments suggested some terminology changes and clarification of the Fair Value Option (FVO) exemption for Life Insurance companies.	OSFI will make any necessary terminology updates and provide respondents clarification on the FVO exemption directly.

3. Other suggestions for guideline amendments not already in progress that may require further refinement to reflect IFRS 17 or IFRS 9

Summary of input provided	Next steps
Guideline E 15 contains two references to a requirement that “each separate assumption be appropriate” (page 4 and page 9). This requirement does not exist in IFRS 17 and the reference to selection of assumptions will be removed from the actuary’s opinion. Therefore, the references should be removed from E 15.	Standards of Practice Section 1620 Assumptions (specifically sections 1620.29-.32) require the actuary to ensure that assumptions (for which the actuary takes responsibility) would be independently reasonable and appropriate in aggregate. Section 1620 is not specific to insurance but applicable to all practice areas. As such, the actuary would need to ensure that their work complies with applicable standards and it is in the purview of the peer reviewer to assess and comment upon whether the assumptions are independently reasonable. As such, there is no plan to remove this requirement from Guideline E 15.
There were a few comments seeking more precision and clarity in the regulatory returns and instructions required for IFRS 17 reporting.	We thank the respondents for their input and will contact them individually regarding their comments.

ANNEX 2 - Guidelines to be rescinded in December of 2023

Guideline	Rationale
C-1 — Impairment - Sound Credit Risk Assessment and Valuation Practices for Financial Instruments at Amortized Cost	Guideline C-1 discusses incurred loss accounting, which will become redundant as a result of the move to the IFRS expected credit loss model. Therefore, this Guideline will be rescinded upon transition to IFRS 9.
D 1A — Annual Disclosures	Has been incorporated into IFRS 9 Financial Instruments and Disclosures Guideline (Section 3.1).
D 1B — Annual Disclosures	Has been incorporated into IFRS 9 Financial Instruments and Disclosures Guideline (Section 3.2).
D 6 — Derivatives Disclosure	Has been incorporated into IFRS 9 Financial Instruments and Disclosures Guideline (Section 3.3).
D 9 — Source of Earnings Disclosure (Life Insurance Companies)	No longer relevant under IFRS 17 as new regulatory reporting forms capture relevant earnings information.
D 10 — Accounting for Financial Instruments Designated as Fair Value Option	Has been incorporated into IFRS 9 Financial Instruments and Disclosures Guideline (Section 1.IV).
E 12 — Inter-segment Notes for Life Insurance Companies	The guideline was intended to apply to CALM valuations only.
F1-F12 — Rescinded Letter (August 22, 2005)	No longer relevant. Will be removed at the end of the consultation period.

Footnotes

- 1 Federally Regulated Insurers include Canadian branches of foreign life and property and casualty companies, fraternal benefit societies, regulated insurance holding companies and non-operating insurance companies.