



MEMORANDUM

Date: September 10, 2020

To: Federally Regulated Life Insurance Companies, including Fraternal Benefit Societies and Canadian Branches of Foreign Insurance Companies, including Foreign Fraternal Benefit Societies

From: Chris Townsend, Senior Director, Actuarial Division, Insurance Supervision Sector

Subject: Life Memorandum to the Appointed Actuary

Copy: Appointed Actuaries of Federally Regulated Life Insurance Companies, including Fraternal Benefit Societies and Canadian Branches of Foreign Insurance Companies, including Foreign Fraternal Benefit Societies

Every year, OSFI updates the Life Memorandum to the Appointed Actuary (the Memorandum), that is issued pursuant to subsection 667(2) of the *Insurance Companies Act*.

The Memorandum can be found on OSFI's website in English and French respectively at:

http://www.osfi-bsif.gc.ca/Eng/fi-if/rtn-rlv/fr-rf/ic-sa/lic-sav/Pages/AA_Memo_2020.aspx

http://www.osfi-bsif.gc.ca/fra/fi-if/rtn-rlv/fr-rf/ic-sa/lic-sav/Pages/AA_Memo_2020.aspx

The Memorandum specifies the content of the annual Appointed Actuary's Report to OSFI. Key changes to the Memorandum include:

1. Added additional participating disclosure enhancements in sections B.3.2.2 (page 26), B.3.2.3 (page 26), B.3.2.10 (page 33), Section B.7 (page 52 to 58) and Section B.8.3 (page 60)
 - a. Section B.3.2.2 & section B.3.2.10: Describe the method used to determine dividends
 - b. Section B.3.2.3: Disclosure related to inter-generation equity among cohorts of participating block of business
 - c. Section B.7:
 - i. Disclose the key drivers of the dividend changes each year
 - ii. Disclose any changes related to dividend methodology
 - iii. Disclose company's use of Dividend Stabilization Reserve for open blocks
 - iv. Include the Participating Account Management Policy that is publicly disclosed



- d. Section B.8.3: Requesting all AA opinions listed in OSFI's Guideline E-16 to be disclosed

The increase in participating product disclosure will ensure that the appropriate and consistent level of information is available to OSFI through the Memorandum.

2. Section A.2.2: Filing deadline wording for Peer Review Report aligned with OSFI's Guideline E-15 (Page 6)
3. Section B.3.2.6: Revised the OSFI interest scenario Run 2 from level 3.5% for all geographies to using the September 2020 CIA curve (page 29)
4. Other updates:
 - a. Updated references to FCT (Financial Condition Testing) from DCAT (Dynamic Capital Adequacy Testing)
 - b. Updated email address (for receiving the cover letter for Disclosure of Compensation) to AAcompleterlife@osfi-bsif.gc.ca (page 62)
 - c. Request commentaries on the impact of COVID-19 and the adjustments on the insurance contract liabilities valuation (page 22)
 - d. Request descriptions of experience studies (page 27)
 - e. Describe the implications on participating policyholder dividends and/or participating surplus under each OSFI scenario (Page 29)
 - f. Request a discussion of the modelling of negative interest rates if applicable (Page 28)

Should you have any questions, please do not hesitate to contact Ivy Lee at 416-973-0749 or at Ivy.Lee@osfi-bsif.gc.ca

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