



August 7, 2020

To: Federally Regulated Insurers (FRIs)

**Subject: Update on OSFI's Activities with respect to IFRS 17 - *Insurance Contracts***

The move to International Financial Reporting Standard 17 - *Insurance Contracts* (IFRS 17) continues to be a significant undertaking for the industry and the Office of the Superintendent of Financial Institutions (OSFI). This letter provides an update on OSFI's milestones and activities reflecting both the impact of COVID-19 on the IFRS 17 Project and the International Accounting Standards Board's (IASB) deferral of the IFRS 17 effective date to January 1, 2023.

### **A. Impact of COVID-19 on OSFI's IFRS 17 Project**

In the March 27, 2020 letter, [OSFI Actions to Address Operational Issues Stemming from COVID-19](#), OSFI confirmed the list of consultations and policy development that it would be putting on hold until conditions stabilized. Included in that list were the following measures that affected OSFI's IFRS 17 Project:

- Suspension of public consultation deadline on Draft IFRS 17 Insurance Returns;
- Suspension of semi-annual progress reporting on implementation of IFRS 17; and,
- Suspension of directed consultation on draft capital tests including the launch of a Quantitative Impact Study (QIS) updated for IFRS 17 (previously scheduled for June 2020).

In a [statement from the Superintendent](#) on July 13, 2020, OSFI announced that it would gradually restart policy development work in the fall of 2020. This announcement affects the IFRS 17 Project in the following areas:

- The deadline for [IFRS 17 Insurance Returns Public Consultation](#) period has been extended to August 31, 2020.
- The IFRS 17 semi-annual progress reporting submission requirement will resume beginning September 30, 2020.
- Directed consultations on capital tests including conducting QIS exercises, will resume beginning in the fall of 2020.

### **B. IASB's deferral of IFRS 17 effective date**

On June 25, 2020, the IASB issued 'Amendments to IFRS 17' addressing concerns and challenges that were identified after IFRS 17 was published in 2017. Included in the amendments to IFRS 17 is the deferral of the effective date to January 1, 2023.





## Capital Guidance

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. OSFI intends to finalize the LICAT/MCT/MICAT<sup>1</sup> 2023 guidelines in 2022 to align implementation with the new IFRS 17 effective date.

## Accounting Guidance

Once the Canadian Accounting Standards Board incorporates amendments to IFRS 17 into the CPA Canada Handbook, OSFI will revise its Accounting Advisories on [IFRS 17](#) and [deferral of IFRS 9](#) and update the timeline for the key milestones communicated in its June 27, 2018 capital letter accordingly.

OSFI encourages insurers to continue their efforts towards implementing IFRS 17 and to use the additional time provided by the IASB for testing and quality assurance purposes. OSFI will continue to work with the industry and key 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](mailto:david.correia@osfi-bsif.gc.ca).

Sincerely,

Ben Gully  
Assistant Superintendent,  
Regulation Sector

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<sup>1</sup> Mortgage Insurance Capital Adequacy Test (MICAT) for mortgage insurers

