



Reference: Advisory for Life/IHC

March 20, 2017

To: Federally Regulated Life Insurance Companies (including Fraternal Benefit Societies)  
Insurance Holding Companies

**Subject: Advisory on Deferral of IFRS 9 Application for Federally Regulated Life Insurers**

OSFI is issuing the final version of its Advisory: Deferral of IFRS 9 Application for Federally Regulated Life Insurers (the Advisory). The Advisory is in response to the September 2016 International Accounting Standards Board (IASB) approved<sup>1,2</sup> amendment to the International Financial Reporting Standard (IFRS) 4 *Insurance Contracts* allowing companies whose activities are predominantly connected with insurance to defer the application of IFRS 9 *Financial Instruments* until January 1, 2021.

With the publication of the IASB amendment, Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*, OSFI considered the costs and benefits and found a strong prudential need for additional accounting guidance for Life Insurers. This Advisory will provide for a level of consistency and comparability across the federally regulated life insurance industry.

The draft Advisory was issued for comment on December 19, 2016. Comments received on the draft were taken into consideration in the drafting of the final version. No changes were made to the draft Advisory as a result of these comments. A summary of comments received and OSFI's response is provided in the attached Annex. OSFI is grateful for the feedback provided during the consultation period.

Any questions concerning the Advisory should be addressed to David Correia, Director, Accounting Policy Division at [david.correia@osfi-bsif.gc.ca](mailto:david.correia@osfi-bsif.gc.ca).

Yours truly,

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Assistant Superintendent  
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<sup>1</sup> [International Accounting Standards Board September 12, 2016 decision summary](#)

<sup>2</sup> Subject to Canadian Accounting Standards Board Approval.

ANNEX

<b>Comments from Respondents</b>	<b>OSFI's response</b>
Respondents supported the Advisory to defer application of IFRS 9 for Federally Regulated Life Insurance Companies until January 1, 2021. They noted that the Advisory will minimize asset and liability mismatches during the interval between effective dates of IFRS 9 and IFRS 17. Respondents further noted that a consistent implementation date for the industry will enhance comparability between Insurers.	No change to Advisory required.
OSFI required FRFI Life Insurers to take the option of deferring IFRS 9 until January 1, 2021. Will a similar Advisory be issued for P&C companies (or more specifically mortgage insurance companies) or will deferral remain optional for these companies?	The optional deferral of IFRS 9 provided will remain optional for P&C companies (including mortgage insurers) and a footnote has been added to the final Advisory to note this.
A question was raised if a regulated subsidiary could be exempt from the Advisory if the parent was not a federally regulated financial institution.	OSFI concluded that the Advisory is appropriate and it is important for life insurance companies to apply the IFRS financial instruments standard consistently. No change to the Advisory is required.