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MEMORANDUM

TO: All Ontario Incorporated Fraternal Benefit Societies and Life Insurance Companies

FROM: Dennis Chan, Chief Actuary (Insurance)
Actuarial Services

DATE: December 16, 2016

RE: **2016 LIFE MEMORANDUM TO THE APPOINTED ACTUARY**

All Ontario incorporated Fraternal Benefit Societies and Life Insurance Companies are required, under subsection 121.13 (1) of the *Insurance Act*, to submit an actuarial valuation report on the actuarial and other policy liabilities of the insurer. This actuarial report must be submitted with the Annual Statements filed under subsection 102(1) of the *Insurance Act*.

Actuaries who prepare the above actuarial report are advised to follow OSFI's Life Memorandum to the Appointed Actuary 2016, which is available on the OSFI website at <http://www.osfi-bsif.gc.ca>. The document may contain specific references to provisions of the federal Insurance Companies Act and federal regulatory requirements. Where appropriate, these should be read as references to the corresponding provisions in the *Insurance Act* (Ontario) and Ontario regulatory requirements.

This memorandum and the updated 2016 OSFI instructions replace the previous instructions. We outline the following key changes in OSFI's 2016 Memorandum:

1. The ongoing low interest rates continue to be of concern. As a result, OSFI requires disclosure for scenarios of 0.5%, 1.5%, 2%, 2.5% and 3% for all future reinvestment assumptions (section B.3.2.6 "Economic Assumptions").
2. Additional disclosure requirements are added to:
 - a. Section B.2.4 "Summary Reporting of Changes in Methods and Assumptions" – OSFI has requested additional confirmation by the AA such that the total normal and basis changes should be reconciled to the numbers reported in Returns.
 - b. Section B.3.2.13 "Internal Control Analysis of Insurance Contract Liabilities" – additional information regarding the data integrity.
3. Table 2.3 (a) in Section "Summary Reporting of Provisions for Adverse Deviations" should be completed in the stated format. All the rows and columns in the table are expected to be shown. Column headers should not be changed or reordered. If no data is available, columns should be left blank.

4. The dollar amounts shown in the tables in Section B.2 must be expressed in thousands.
5. The term “Reinsurance Assets” has been replaced by “Reinsurance Recoverables” to be consistent with the terminology used in the CIA SOP.
6. Various minor changes have been made to clarify information requirements, including:
 - a. Reconciliation of AAR information to LIFE-1 annual returns for the Fraternal Benefit Societies;
 - b. Section B.2.3 “Summary Reporting of Provisions for Adverse Deviations”; and
 - c. Section B.4.5 “Segregated Fund Products: Liability and Capital Provision”.

Please send the electronic filing of the Report of the Actuary with your annual filing return to FSCO per instruction in the FSCO annual filing instruction letter. For companies that are required to submit the Dynamic Capital Asset Testing report (DCAT), they should send the electronic copy of the report to FSCO no later than September 30, 2017.

Please discuss the filing requirements with your Appointed Actuary. If there are any questions about the appropriateness of any particular requirement to your company, please do not hesitate to contact Vivien Chiang, Senior Actuarial Associate, at (416) 590-2095.

Dennis Chan
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