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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 18, 2017

RE: **2017 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 2017, 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 2017 OSFI instructions replace the previous instructions. We outline the following key changes in OSFI's 2017 Memorandum:

1. Appointed Actuaries have been required to disclose their compensation structure in section B8.5 Disclosure of Compensation. This is to be consistent with the Financial Stability Board's Principles for Sound Compensation Practices, which have been adopted by OSFI. As the quality of disclosure has not been consistent, OSFI has included specific wording to facilitate adequate, clear and consistent disclosure.

2. Several changes were made to Section B.3.2.6 "Economic Assumptions":
   a. Two out of the five scenario tests for low interest environment were removed. As a result, OSFI requires disclosure for scenarios of 0.5%, 1.5% and 2.5% for all future reinvestment assumptions.
   b. OSFI requires disclosure for a new scenario test assuming existing assets and reinvestments supporting the liabilities earn 3.5%.
   c. OSFI requires the disclosure of the discount rates used to derive the maximum amount of non-fixed income assets at each projected period. Previously the Appointed Actuaries were asked to only discuss the methodology used. Furthermore, it is suggested that the Appointed Actuaries use a chart to display the impact of applying the 20/20/75 limits on non-fixed income assets.

3. Two changes were made to B.8.7 “Peer Review of the Work of the Appointed Actuaries”:
    a. The table was expanded to include MCCSR. This is in line with the requirements of OSFI Guideline E-15.
    b. The wording “before and after audit opinion” was changed to “pre-release or post-release”.
4. “Real Estate” was removed in Table 4.1b “Actual Credit Risk Experience” and Table 4.1c “Actual Impairment Provision in Assets”, so they are consistent with Table 4.1a “Asset Credit Risk Assumptions”.

For companies who 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, 2018.

For security reasons, e-mail should not be used. Companies should use FSCO’s file transfer facility to upload the electronic copy of the report by making a request to FSCO contact. When a separate electronic report is provided, it is preferable if information can be easily copied by FSCO staff, and thus the report should not be security protected and exhibits should be in a format that can easily be transferred to a spreadsheet.

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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