

February 25, 2004

**TO: Federally Regulated Life Insurance Companies
Federally Regulated Property and Casualty Insurance Companies**

**cc: Provincial Superintendent
Insurance Bureau of Canada
Canadian Life and Health Insurance Association
Reinsurance Research Council**

Subject: Filing of Quarterly Returns

Ever since 1989, federally regulated insurers have been filing with OSFI, interim regulatory financial returns on at least a quarterly basis. However, historically speaking, because reinsurers (those companies or branches with licenses restricted to the business of reinsurance) generally did not have adequate systems in place for quarterly filing, OSFI only required them to file on a semi-annual basis. As well, in recognition of the normal delays that reinsurers experience in obtaining actual results from their cedants, reinsurers were permitted additional time for the filing of both interim and annual returns.

OSFI implemented industry-wide interim filing requirements (quarterly for insurers, semi-annually for reinsurers) in order to enhance its ability to monitor the financial condition of individual companies and to facilitate the compilation of industry results (at least for the federally regulated companies). With the implementation of the Supervisory Framework over the past few years, OSFI's emphasis on risk-based supervision increased further the need for timely interim financial reporting. However, considering that reinsurers were providing financial information less frequently and on a less timely basis (a longer reporting timeframe) than other insurers, the effectiveness and timeliness of OSFI's monitoring efforts were somewhat impaired.

It is OSFI's view that the underlying reasons for granting reinsurers special consideration have substantially disappeared. We have observed that, because of parent or head office requirements for interim financial information, most reinsurers now have systems in place for quarterly financial reporting. As well, in order to meet the expectations of their respective parent or head office for timely information, most reinsurers now use estimates of their assumed accounts when preparing financial reports. As a result, and considering our need for more timely and consistent financial reporting, OSFI believes that it is now appropriate to remove the special requirements for reinsurers.

This is to notify you that, effective January 1, 2004, all federally regulated reinsurers are required to file interim financial returns on a quarterly basis, in the same format and within the same 45-day timeframe as required by other insurers. However, please note that, until the applicable legislation can be changed, the timeframe for filing annual returns remains unchanged. In the meantime, we encourage those reinsurers who are able to file their annual returns on a timelier basis, to do so. We recognize that estimates of assumed accounts are essential for timelier reporting.

Before making this decision, OSFI had discussions with various industry associations and individual reinsurers. While some concerns were expressed, there was general acknowledgement that it would not be unduly onerous for most reinsurers to comply with the revised filing requirements and that it would enhance OSFI's ability to achieve its mandate.

If you have any questions or concerns about complying with this notification, please contact your OSFI Relationship Manager.

Thank you very much for your anticipated co-operation in this matter.

John C. Doran
Assistant Superintendent
Supervision