

INTRODUCTION

To transact the business of life and accident & sickness insurance in Canada on a Canadian Branch basis, foreign life insurers must be registered federally under the *Insurance Companies Act (ICA)*. Registered Canadian Branches must also obtain a licence in a particular province or territory before commencing operations in Canada. Canadian Branches should be aware of the statutes of all jurisdictions in Canada in which they are licensed.

The Annual / Interim Return (LIFE-2) is designed primarily to enable all Canadian jurisdictions to monitor the financial condition and operating results of the Canadian Branch operations of foreign life insurers. Certain compliance requirements can also be monitored from the returns. All Canadian Branches are required to complete the LIFE-2 Annual / Interim Returns. Jurisdictions may apply conditions to meet their own particular requirements.

Please refer to the detailed ***Filing Requirements*** set out at the end of this Section of the Instructions.

ACCOUNTING PRINCIPLES - ANNUAL and INTERIM RETURNS

General

Canadian Branches are required to report on the basis of Canadian generally accepted accounting principles (GAAP), as outlined in the Canadian Institute of Chartered Accountants (CICA) Handbook, unless otherwise directed by the federal Superintendent of Financial Institutions, their Primary Regulator. The non-consolidated statements and additional supporting pages and exhibits should also be on a Canadian GAAP basis, with investments in subsidiaries, interests in joint ventures and variable interest entities accounted for on the equity basis.

Definitions

Definitions have been included in these instructions to assist Canadian Branches with the preparation of the Annual and Interim Returns (LIFE-2).

This section is not a comprehensive set of insurance and insurance accounting definitions, acronyms and interpretations. Most of the definitions are contained in the *Insurance Companies Act* and related Regulations and Guidelines.

Definitions contained in the above legislative sources and this section take precedence, for the completion of the Annual (and Interim) Returns, over any definition of the same terms contained in non-legislative sources.

If there are any differences in the interpretation of certain terms, Canadian Branches should consult the Office of the Superintendent of Financial Institutions (OSFI) for technical interpretations.

A&S: Accident & Sickness Insurance.

AAR: Appointed Actuary's Report.

Accredited Provincial Reinsurer – Life: See Federal Guideline B-3 Page 2.

Accumulation Annuities (Deferred Annuities):

Annuity contracts that are in the phase of accumulating periodic annuity premium contribution deposits made by contract holders together with investment returns earned on the accumulation.

Act: *Insurance Companies Act (ICA)*.

AMF: Autorité des marchés financiers, Province of Quebec.

Ancillary Operations:

Any function that can be considered to be providing support or service to the insurance or investment operations, can be considered an ancillary operation.

Approved insurer: See Federal Guideline B-3 Page 3.

Assume: To accept risk from a ceding company.

Assuris: Canadian Life & Health Insurance Compensation Corporation.

Bloomberg:

Bloomberg L.P. is a financial news service founded by Michael Bloomberg in 1982. It provides financial news and data to financial companies and organizations in virtually every country in the world through the Bloomberg Terminal, its core money-generating product. **Bloomberg L.P.** has grown to include a global news service, including television, radio, the Internet and publications.

It was incorporated as a Delaware Limited Partnership (LP) in 1981 and has been in business since 1983.

Canadian Branch: Canadian Branch of a foreign life insurer.

CCIR: Canadian Council of Insurance Regulators.

Cede: Transfer of risk to assuming reinsurers / insurers.

CICA: The Canadian Institute of Chartered Accountants.

CLHIA: Canadian Life & Health Insurance Association.

Coinsurance:

A method of reinsurance under which the assuming company receives a proportionate share of all of the risks and cash flows of the policy. (One typical exception may be the policy fee, which remains with the ceding company.) The reinsurer receives its share of the premiums and benefits, and sets up its share of the reserves. Typically, the reinsurer pays an allowance to the ceding company to represent the reinsurer's share of the acquisition and maintenance expenses.

Control:

Control exists where one enterprise is able to exercise significant influence over operating and financial decisions of another enterprise, in accordance with the meaning of the term under GAAP.

Direct Written: Pertaining to policies issued by insurers.

Disability Annuity:

An ANNUITY contract whereby an insurer promises to make periodic payments to an injured (disabled) party to whom a large settlement has been awarded as part of a bodily injury claim settlement. It does NOT include disability coverage under an individual or group accident and health insurance contract.

Foreign Life Insurers:

Life insurers domiciled outside Canada and federally registered to transact life insurance, annuities and accident & sickness business on a Canadian Branch basis in Canada.

GAAP: Canadian Generally Accepted Accounting Principles.

GICS:

The Global Industry Classification Standard (GICS) was developed by Morgan Stanley Capital International (MSCI), an independent provider of global indices and benchmark-related products and services, and Standard & Poor's (S&P), an independent international financial data and investment services company and a leading provider of global equity indices.

The GICS classifications aim to enhance the investment research and asset management process for financial professionals worldwide. It is the result of numerous discussions with asset owners, portfolio managers and investment analysts around the world and is designed to respond to the global financial community's need for an accurate, complete and standard industry definition.

The GICS structure consists of 10 sectors, 24 industry groups, 64 industries and 139 sub-industries.

The GICS structure is:

- **Universal:** The classification applies to companies globally.
- **Accurate:** The structure accurately reflects the state of industries in the equity investment universe.
- **Flexible:** The structure offers four levels of analysis, ranging from the most general sector to the most specialized sub-industry.
- **Evolving:** Annual reviews are conducted by MSCI and Standard & Poor's to ensure that the structure remains fully representative of the universe.

The GICS methodology has been widely accepted as an industry analysis framework for investment research, portfolio management and asset allocation. Its universal approach to industries worldwide has contributed to transparency and efficiency in the investment process. In addition, the current trend towards sector- based investing has also greatly benefited from the GICS methodology.

Gross: Direct Written + Assumed business.

MCCSR/TAAM:

Minimum Continuing Capital and Surplus Requirements/Test of Adequacy of Assets in Canada on Margin Requirements.

Modified Coinsurance:

Reinsurance that differs from coinsurance only in that the reserves are transferred back to the ceding company while the risk remains with the reinsurer; the ceding company is required to pay interest to replace that which would have been earned by the reinsurer if it had held the assets corresponding to the reserves in its own investment portfolio. Commonly known as **Mod-co**. (See also Coinsurance.)

Net: Direct Written + Assumed – Ceded business.

OSFI: Office of the Superintendent of Financial Institutions.

Payout Annuities: Annuity contracts that are in the periodic payout phase.

Registered/unregistered reinsurer: See Federal Guideline B-3 Page 3.

Reinsurance:

The transfer of some or all of an insurance risk to another insurer. The company transferring the risk is called the "ceding company"; the company receiving the risk is called the "assuming company" or "reinsurer."

Reinsure: To transfer the risk of potential loss from one insurer to another insurer.

Subsidiary:

As defined in the CICA Handbook, Section 1590. In this form subsidiary also includes **a controlled** VIE.

TAAM: See MCCSR/TAAM.

Unregistered reinsurer: See Registered/unregistered reinsurer.

VIE: Variable Interest Entities (See CICA Handbook ACG-15)

YRT: Yearly Renewable Term insurance.

Market Values

Canadian Branches are required to either carry investments at market values or provide market values for investments in the Summary of Investments and for specific asset categories. Market values should be determined as at the reporting date of the quarter / year end and should be in accordance with GAAP (see CICA Handbook Section 4211 and 3855).

For securities that do not trade or have readily quoted market values, the market value should be determined by calculating the present value of the future cash flows, discounted at the interest rate then available for assets of similar nature and quality.

For real estate valuations please refer to the instructions for page 21.080.

Realized and Unrealized Gains and Losses on Real Estate Investments - Moving Average Market Method

These accounting principles are applicable to Canadian Branches and their investment operations.

Realized and unrealized gains and losses on Real Estate Investments as defined in CICA Handbook section 4211 paragraph 04 are to be reported using the moving average market method in accordance with the CICA Handbook section 4211.

For the real estate portfolio, the impact of changes in market value is recognized when appraisals are conducted. In accordance with GAAP, Canadian Branches are required to ensure that the market value of real estate reflected in the moving average market adjustment is an approximation of market values in the year that an appraisal is not conducted. For the purpose of interim financial statements, Canadian Branches are required to assess the value of real estate at each quarter end and to make appropriate adjustment for any known material changes. For the real estate portfolio, 3 per cent of the difference between the approximate market value at quarter end and the quarter end carrying value should be recognized.

Realized and Unrealized Gains and Losses on Real Estate Investments - Moving Average Market Method (cont'd)

Quarterly Amortization (3% quarterly) - example

	Carrying Value Prior to Amort. (refer Note) (1)	Market Value (2)	Quarterly Amort. To P&L [(2) – (1)] x (3%) (3)	Year to Date Amort. to P&L (3)+(4) prior (4)	Carrying Value End of Quarter (1) + (3) (5)
Q1 - Yr 1	100,000	98,000	-60	-60	99,940
Q2	99,940	95,000	-148	-208	99,792
Q3	99,792	92,000	-234	-441	99,558
Q4	99,558	93,000	-197	-637	98,362

NOTE: For simplicity it has been assumed that there are no purchases, sales or impairment in the stock portfolio during the year.

The annual amortization recognized in income should be the sum of the amounts amortized in each of the four quarters for both realized and unrealized gains and losses.

FILING REQUIREMENTS - Miscellaneous
Name of Insurer and Reporting Date of the Return

The insurer's name and the interim period / year of the return must be shown on each page.

Opening Balances

All opening balances should agree with the closing balances for the particular accounts at the end of the previous applicable interim period / year. If the opening balance does not agree with the closing balance of the applicable interim period / year, an explanatory note of the changes made must be provided.

Positive Integers and Rounding

Unless specifically stated in these instructions or indicated on the form, entries should be made as positive integers. Exceptions will arise where an entry is the opposite of what would normally occur. For example, reinsurance assumed premiums are normally credit entries. If a reinsurance portfolio transfer results in a debit balance, then the entry in the Return would be negative.

Unless otherwise specified, the Return is to be completed in thousands of Canadian dollars, rounded to the nearest thousand.

Additional Pages

If necessary, additional pages may be added to complete a specific page or exhibit. These pages should be numbered in sequence and identified as "Sheet 1", "Sheet 2", etc. If there are insufficient rows on a page to list all items, the additional information should be added on separate pages, with the same headings. The page numbering should be "XX.XXX - Sheet 1", "XX.XXX - Sheet 2", etc.

Notes on Annual Return

Canadian Branches are requested to append any required Notes and explanations on the LIFE-2 Annual Return e.g. where cross references shown on Financial Statement pages do not agree due to specific reasons (e.g. premiums received on lines of business from discontinued operations) and other such explanatory notes.

Certification / Affidavit

The Interim Return must be signed (on the cover page) by the Chief Agent or another Executive at a comparable level as designated by the Chief Agent, in accordance with each jurisdiction's filing requirements indicated on pages 10 and 11.

Please refer to Section 10 of these Instructions for guidance on completion of the Affidavit in the Annual Return.

Reproduced Copies of Forms

The return should be printed on 8.5 x 11 paper. The page order should not be changed and the line numbers should not be altered. Unsatisfactory copies will be returned for correction.

Supporting Details

Supporting information and working papers should be available at the Canadian Branch offices of the insurer for review by OSFI. This information includes details of non-consolidated financial statements of the Canadian Branch. The Canadian Branch must maintain working papers to support the allocation of income, expenditure and other items by line of business as well as by fund. Copies of the Annual Return filed by the Home Office with the home jurisdiction should also be available at the chief agency in Canada.

Electronic Filing

Diskette, CD-Rom or electronic filing via a secure means provided by their Regulator is mandatory for Interim and Annual Returns. The Return will be considered "not filed" until any irregularities in the data or the electronic file are corrected.

FILING REQUIREMENTS - Other

Annual Report and Management Discussion & Analysis (MD&A)

Canadian Branches are requested to submit a copy of the Branch's Annual Report and/or MD&A (where available) for the current year operations, as well as the Annual Report and MD&A of the home office life insurer.

Annual Return (on worldwide operations)

Canadian Branches are required to file with OSFI's Regulatory Information Division, 255 Albert Street, 12th Floor, Ottawa K1A 0H2 a copy of the current year's Annual (Statutory) Return (e.g. NAIC Convention Blank) on the company's worldwide operations, within two months of its filing with the regulatory authorities in the home jurisdiction.

Examination Report of Home Office by home jurisdiction

Canadian Branches are also required to submit to OSFI the examination report of the Home Office issued by the home jurisdiction immediately upon receipt. A copy of the response of the Home Office to the recommendations contained in the report should also be provided to OSFI soon after its filing with the home jurisdiction.

Role of the Chief Agent and Record Keeping Requirements

Please refer to OSFI's Guideline E-4A (revised November 2005).

FILING REQUIREMENTS – LIFE-2 and OSFI-86 – Canadian Branches

Canadian Branches are required to file annual and interim returns and related documents with OSFI, and with jurisdictions where the Canadian Branch is licensed as follows (filing addresses are listed on the last page of this Section):

Jurisdiction	Deadline	Hard copies/ Diskette, CD-Rom or electronic file required						
		Annual					Interim	
		LIFE-2	AR	AAR	OSFI-86	AR	LIFE-2	OSFI-86
Federal	60 days after year-end, except 105 days for reinsurers (R); May 31 for Auditor's Reports	2/D/M	2	2/D	2/D	2	-	-
	45 days after quarter-end	-	-	-	-	-	D	D
Newfoundland and Labrador	N/A	-	-	-	-	-	-	-
Prince Edward Island	February 28	PN	-	-	-	-	-	-
Nova Scotia	March 31	PN	-	-	-	-	-	-
New Brunswick	March 31	1	1	-	-	-	-	-
Quebec	March 1, except March 15 for reinsurers (R), May 31 for Auditor's Reports.	1/D	1	1	1/D	1	1/D	1/D
Ontario	N/A	-	-	-	-	-	-	-
Manitoba	February 28, except March 31 for reinsurers (R)	MB	-	-	1	-	-	-
Saskatchewan	60 days after year-end, except 105 days for reinsurers (R)	S	-	-	-	-	-	-
Alberta	60 days after year-end, except 105 days for reinsurers (R)	A	-	-	-	-	-	-
British Columbia	90 days after year-end, except 105 days for reinsurers (R)	-	1	-	-	1	-	-
Yukon	March 15	1	-	-	1	-	-	-
Northwest Territories	February 28	1	-	-	1	-	-	-
Nunavut	February 28	1	-	-	1	-	-	-

D 1 Diskette, CD-Rom or electronic file required

M Copy of MDA and/or Annual Report, if available

PN Canadian Branches are required to file only the following pages from their Annual Return LIFE-2: 95.010 to 95.040 (inclusive).

MB Canadian Branches are required to file only the following pages from their Annual Return LIFE-2: 95.010 to 95.040 (inclusive).

S Canadian Branches are required to file only the following pages from their Annual Return LIFE-2: 10.000 to 10.010 (inclusive) and 95.010 to 95.040 (inclusive).

A The filing of a LIFE-2 with the Office of the Superintendent of Financial Institutions will satisfy Alberta's reporting requirement for the comparable period.

R Insurers whose orders / certificates of registry are limited to reinsurance.

AR: Auditor's Report

AAR: Appointed Actuary's Report

FILING REQUIREMENTS – LIFE-2 and CAR – Quebec incorporated life insurers

Quebec incorporated life insurers are required to file annual and interim returns and related documents with AMF, and with jurisdictions where the life insurer is licensed as follows (filing addresses are listed on the last page of this Section):

Jurisdiction	Deadline	Hard copies/Diskette, CD-Rom or electronic file required					
		Annual				Interim	
		LIFE-1	AR	AAR	CAR	LIFE-1	CAR
Quebec	March 1, except March 15 for reinsurers (R); May 31 for Auditor's Reports	1/D,Q	1	1	1/D	-	-
	45 days after the end of interim period	-	-	-	-	1/D	-
Newfoundland and Labrador	February 28	1	-	-	-	-	-
Prince Edward Island	February 28	PN	-	-	-	-	-
Nova Scotia	March 31	PN	-	-	-	-	-
New Brunswick	March 31	1	1	-	-	-	-
Ontario	N/A	-	-	-	-	-	-
Manitoba	February 28, except March 31 for reinsurers (R)	1	-	-	1	-	-
Saskatchewan	60 days after year-end, except 105 days for reinsurers (R)	S	-	-	-	-	-
Alberta	60 days after year-end, except 105 days for reinsurers (R)	A	-	-	-	-	-
British Columbia	90 days after year-end, except 105 days for reinsurers (R)	-	1	-	-	-	-
Yukon	March 15	1	-	-	1	-	-
Northwest Territories	February 28	1	-	-	1	-	-
Nunavut	February 28	1	-	-	1	-	-

D 1 Diskette, CD-Rom or electronic file required

AR: Auditor's Report

AAR: Appointed Actuary's Report

Q Financial statements of the parent companies/subsidiaries: 60 days after fiscal year-end (75 days for reinsurers)

PN Quebec registered life insurers are required to file only the following pages from their Annual Return LIFE-1: 95.010 to 95.040 (inclusive).

S Quebec registered life insurers are required to file only the following pages from their Annual Return LIFE-1: 10.000 to 10.010 (inclusive) and 95.010 to 95.040 (inclusive).

A The filing of a LIFE-1 with the AMF will satisfy Alberta's reporting requirement for the comparable period.

R Insurers whose orders are limited to reinsurance.

FILING ADDRESSES

Federal

Regulatory Information Division
Office of the Superintendent of Financial
Institutions Canada
255 Albert Street, 12th Floor
Ottawa, ON K1A 0H2

Tel: (613) 990-1889
Fax: (613) 991-6248
www.osfi-bsif.gc.ca

Newfoundland & Labrador

Superintendent of Insurance
Dept. of Government Services
2nd Floor West Block Confederation Bldg.
Prince Philip Drive, P.O. Box 8700
St. John's, NL A1B 4J6

Tel: (709) 729-2571
Fax: (709) 729-4151
www.gov.nf.ca

Prince Edward Island

Superintendent of Insurance
Office of the Attorney General
95 Rochford Street
P.O. Box 2000
Charlottetown, PE C1A 7N8

Tel: (902) 368-4564
Fax: (902) 368-5283
www.gov.pe.ca

Nova Scotia

Superintendent of Insurance
Dept. of Finance
Financial Institutions
P.O. Box 2271, 4th Floor
1723 Hollis Street
Halifax, NS B3J 1V1

Tel: (902) 424-6331
Fax: (902) 424-1298
www.gov.ns.ca/enla/fin

New Brunswick

Acting Superintendent of Insurance
Department of Justice
Insurance Branch
440 King Street, Room 635
King Tower
Fredericton, NB E3B 5H8

Tel: (506) 453-2541
Fax: (506) 453-7435
www.gnb.ca

Québec

Surintendante de l'encadrement
de la solvabilité
Autorité des marchés financiers
Place de la Cité, Tour Cominar
2640, boul. Laurier, 3^e étage
Sainte-Foy (QC) G1V 5C1

Tel: (418) 525-0558 ext. 4501
Fax: (418) 525-4509
www.lautorite.qc.ca

Ontario

Chief Executive Officer and
Superintendent of Financial Services
Financial Services Commission of Ontario
5160 Yonge Street, Box 85, 17th Floor
North York, ON M2N 6L9

Tel: (416) 590-7000
Fax: (416) 590-7078
www.fsco.gov.on.ca

Manitoba

Deputy Superintendent of Financial
Institutions - Insurance
Dept. of Consumer & Corporate Affairs
1115-405 Broadway Avenue
Winnipeg, MB R3C 3L6

Tel: (204) 945-2542
Fax: (204) 948-2268
www.gov.mb.ca/cca

Saskatchewan

Superintendent of Insurance
Saskatchewan Financial Services
Commission
1919 Saskatchewan Drive, 6th Floor
Regina, SK S4P 4H2

Tel: (306) 787-7881
Fax: (306) 787-9006
www.gov.sk.ca

Alberta

Superintendent of Insurance
Alberta Finance
402 Terrace Building
9515-107 Street
Edmonton, AB T5K 2C3

Tel: (780) 427-9722
Fax: (780) 427-1636
www.finance.gov.ab.ca

British Columbia

Deputy Superintendent of Insurance
Financial Institutions Commission
Suite 1200, 13450 102nd Avenue
Surrey, BC V3T 5X3

Tel: (604) 953-5300
Fax: (604) 953-5301
www.fic.gov.bc.ca

Yukon

Superintendent of Insurance
Consumer and Safety Services C-5
Government of Yukon
Box 2703
Whitehorse, YT Y1A 2C6

Tel: (867) 667-5257
Fax: (867) 667-3609
www.gov.yk.ca

Northwest Territories & Nunavut

Superintendent of Insurance
Treasury Division
Department of Finance
Government of the Northwest Territories
4922 - 48 Street, Third Floor
Yellowknife, NT X1A 2L9

Tel: (867) 873-7308
Fax: (867) 873-0325
www.gov.nt.ca