



MEMORANDUM

DATE: November 1, 2006

TO: Federally Registered Life Insurance Companies and Fraternal Benefit Societies

FROM: August Chow, Senior Director, Actuarial Division, Regulation Sector

SUBJECT: Memorandum to the Actuary (Life Insurance) 2006

COPY: Appointed Actuaries of Federally Registered Life Insurance Companies and Fraternal Benefit Societies

Every year, OSFI updates the Memorandum to the Actuary pursuant to Section 667.(2) of the *Insurance Companies Act*. The Memorandum to the Actuary can be found on OSFI's website in English at:

http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/returns/financial/AA_Memo_2006_e.pdf

and in French at:

http://www.osfi-bsif.gc.ca/app/DocRepository/1/fra/relevés/financiers/AA_Memo_2006_f.pdf

The 2006 Memorandum has the following changes as compared to the 2005 version:

- A reference to the changes that have been made by the Accounting Standards Board. A new Section 3855 covers Financial Instruments – Recognition and Measurement, which is effective for fiscal years beginning on or after October 1, 2006. There are also changes to Section 1530, Comprehensive Income and Section 3865, Hedges. OSFI has also introduced Guideline D-10 “Accounting for Financial Instruments Designated as Fair Value Option”.
- A reference to the draft revised Joint Policy Statement;
- The use of hedging for segregated fund products;
- Enhanced disclosure of financial reinsurance agreements and OSFI's interpretation of the definition of financial reinsurance;
- A clarification of the disclosure requirements for the participating accounts and sub-accounts;
- Disclosure requirements for peer reviews;



- The requirement to comply with Guideline E-15 with respect to Appointed Actuary qualification standards and the draft CIA requirements for Appointed Actuary Certificates;
- A reference to the requirement for an actuarial opinion for MCCR and TAAM returns;
- A clarification of the filing requirements for the AAR, DCAT and Peer Review reports.

Actuaries are reminded that they should pay special attention to the current low interest rate environment in setting valuation assumptions and DCAT scenarios. Actuaries are also reminded to disclose the investment assumptions and results of the seven required interest rate scenarios in CSOP.

Instructions for submitting the Appointed Actuary's Report to OSFI are shown in Section A.9. Note that for security reasons, the report should not be sent by e-mail.

Should you have any questions, please do not hesitate to contact Helmut Engels at 416-973-8934, or at helmut.engels@osfi-bsif.gc.ca.

A hard copy of this Memorandum can be obtained by contacting Eleanor Reubins by telephone at 416-973-3680, by fax at 416-952-0664 or by e-mail at eleanor.reubins@osfi-bsif.gc.ca.

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