
ANNUAL FILING REQUIREMENTS SUMMARY –ALL CANADIAN JURISDICTIONS

Federally registered fraternal benefit societies are required to file annual returns and related documents with OSFI, and with jurisdictions where the insurer is licensed, as follows:

Jurisdiction	Deadline	Number of hard copies required*			
		OSFI-56	AR	AcR	OSFI-87
Federal	60 days after year-end	2*	2	2	2*
Newfoundland and Labrador	N/A	-	-	-	-
Prince Edward Island	February 28	<i>PN</i>	-	-	-
Nova Scotia	March 31	<i>PN</i>	-	-	-
New Brunswick	March 31	1	1	-	-
Quebec	March 1	1*	1	1	1* <i>Q</i>
Ontario	N/A	-	-	-	-
Manitoba	February 28	1	-	-	1
Saskatchewan	60 days after year-end	<i>S</i>	-	-	-
Alberta	60 days after year-end	1	1	1	1
British Columbia	90 days after year-end	-	1	-	-
Yukon	March 15	1	-	-	1
Northwest Territories	February 28	1	-	-	1
Nunavut	February 28	1	-	-	1

AR: Auditor's Report

AcR: Actuary's Report

* Supplementary diskette also required

Q Copy of DCAT also required if MCCSR is less than 151%

PN Fraternal benefit societies are required to file only the following pages from their Annual Return OSFI-56: 91.000 to 95.000 (inclusive).

S Fraternal benefit societies are required to file only the following pages from their Annual Return OSFI-56: 10.000 to 10.010 (inclusive) and 91.000 to 94.000 (inclusive).

INTRODUCTION

Pursuant to Section 665 of the *Insurance Companies Act*, Canadian Fraternal Benefit Societies are required to file an Annual Return in such form as the Superintendent determines. The Annual Return, OSFI-56, is the prescribed return.

FILING REQUIREMENTS

Filing Deadlines and Copy Requirements

Two properly verified copies of the Annual Return plus the diskette containing the ASCII file data (in accordance with the Diskette Filing Specifications) must be filed with OSFI's Regulatory Information Division, 255 Albert Street, 12th Floor, Ottawa K1A 0H2 no later than 60 days after the end of the society's fiscal year.

The Annual Return must bear original signatures in the Affidavit Verifying Return on page 10.000 and the Opinion of the Actuary on page 10.001. To facilitate verification of original signatures, it would be appreciated if a colour different from the print is used for signing.

Societies are requested to submit a copy (where available) of their Annual Report and/or a copy of their Management Discussion and Analysis regarding the current year's operations.

Actuary's Report

Two copies of the Actuary's Report on the Annual Return must be filed with the Annual Return. Refer to Section 10 of the Instructions (re: Page 10.001).

Auditor's Report

Two copies of the Auditor's Report on the Annual Return must be filed with the Annual Return. Refer to Section 20 of the Instructions (re: Page 20.060).

Name of Society and Year of Return

It is important that the society name and the year of the return be shown on each page. OSFI maintains a permanent record of returns on microfilm and the name of the society and year are needed on each page to permit proper identification on the microfilm.

Reproduced Copies of Forms

In preparing copies of the return, care should be taken to ensure adherence to the size and pagination of the form. The page order should not be changed and the line number should not be altered, since information is input into a database for all societies. Unsatisfactory copies will be returned for correction.

Year End

The Annual Return is to be completed as at the last day of the society's fiscal year. The year end date should be specified in the return. All subsidiaries must be included in the consolidated return as at that date.

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 Annual Return would be negative.

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

Instructions for Items with Supporting Details

Where any line is supported by an exhibit or page, the instructions relating to it should be read in conjunction with the instructions for the corresponding exhibit or page.

Subsidiaries

A copy of the current financial statements (audited, where required) of each subsidiary of the society must be kept at the society's head office, to be available on request.

Supporting Details

Supporting information and working papers should be available at the society's offices for review by OSFI examiners. This information includes details of both the consolidated and non-consolidated financial statements. Societies must maintain working papers to support the allocation of income, expenditure and other items by line of business as well as by fund.

Opening Balances

All opening balances should agree with the prior year's closing balance for the particular account. Comparative figures for the prior year should be prepared on a basis consistent with the current year. In any account, if the opening balance does not agree with the closing balance for the prior year, an explanatory note of the changes made must be provided.

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. For example, Page 20.055 requires Notes to the Financial Statements to be reported on this page. If there are insufficient rows on this page to list all the subsidiaries, the additional information should be added on separate pages, with the same headings. The numbering should be page 20.055 - Sheet 1, page 20.055 - Sheet 2, etc.

Electronic Filing

Diskette filing is mandatory for the Annual Return. It should be noted that if the validation rules are not applied, the diskette will be considered not filed with OSFI until any irregularities are corrected on a subsequent diskette.

ACCOUNTING PRINCIPLES

General

Pursuant to section 665 of the *Insurance Companies Act*, the Superintendent has determined that societies are to report on the basis of generally accepted accounting principles (GAAP), including the requirements of the Superintendent of Financial Institutions. The consolidation must be done on a line by line basis. The non-consolidated statements and additional supporting pages and exhibits should also be on a GAAP basis, with investments in subsidiaries accounted for on the equity basis.

Please note that while pages 20.010 to 20.095 inclusive report the consolidated financial statements comprising the Insurance Funds, subsidiary operations and Fraternal and other Funds, the supporting exhibits and schedules following the non-consolidated financial statement (pages 30.010 to 30.055) are on a non-consolidated basis and are intended to report data on the Insurance Funds Only. As such the validation of the details of the totals reported in these exhibits should be to the non-consolidated pages reporting on the Insurance Funds Only.

To emphasize this, we have added the sub-title "Insurance Funds Only" on all the supporting exhibits and schedules.

Comparative figures for the prior year should be prepared on a basis consistent with the current year. If there has been a change in accounting practice, the figures for the preceding year should be restated and the word "restated" noted at the top of the column.

Valuation of Assets

Assets are to be valued in accordance with GAAP as outlined in the Canadian Institute of Chartered Accountants (CICA) Handbook.

Market Values

Societies are required to provide market values for investments in the Summary of Investments, the Summary of Commercial Loans, and for specific asset categories. Market values should be as at the date of the fiscal year end.

1. The market value of bonds, debentures and shares that trade on an exchange is the closing price on the exchange at the society's fiscal year end, or if not traded that day, the bid price at the close of business that day. The market value of government debt securities that are not traded should be determined either by a calculation based on the yield and term to maturity or by a bona fide bid from a bond dealer.

2. Generally, the market value of private placements or other securities that do not have readily quoted market values will be the book value. An exception is where the aggregate of the particular security held by the society, on a consolidated basis, exceeds 2% of the society's total assets. If it exceeds this level, market value must be determined by means of an independent valuation.
3. Real Estate - OSFI requires appraisals to be conducted every three years; however in accordance with generally accepted accounting principles (GAAP), insurers are required to ensure that the market value of real estate reflected in the moving average market adjustment is an approximation to market values in the years that an appraisal is not conducted. Therefore, it is incumbent upon insurers to review their real estate portfolios annually and to ensure that the moving to market adjustment is based on current market values in the non-appraisal years. In such situations, societies should submit to OSFI, at the same time as the summary appraisal forms, details supporting such changes in value. In addition a footnote on pages 70.031 and 70.032 of the OSFI-56 should indicate that a new value has been used.

While the thresholds for determination of in-house/independent appraisal requirements are not specified, OSFI expects societies to use the thresholds as itemized below:

- (i) For real estate parcels with stated carrying values up to 0.5% of assets **and** less than 5% of capital and surplus, an in-house appraisal by qualified appraisers on the society's staff is acceptable. For properties that are less than 0.1% of assets (subject to a maximum property value of \$5 million), a short form appraisal may be used.

Exception from the \$5 million maximum property value will be considered on an individual society basis. It should be noted that the exemption from the \$5 million limit will not exceed the upper limit of 0.1% of assets.

- (ii) For any parcel of real estate with a stated carrying value that exceeds 0.5% of assets or 5% of capital and surplus, the appraisal can only be accepted if it is performed by a qualified appraiser who is independent of the society.
- (iii) For parcels of real estate having stated values of 2% of assets or larger, the Superintendent may elect to appoint the appraiser. In such situations societies are requested to approach the Superintendent in writing, reasonably ahead of the scheduled appraisal date.

Specific determination of thresholds on a case-by-case basis should be arranged with OSFI in cases involving contiguous properties forming part of a real estate portfolio.

Societies should be evaluating whether there had been an other than temporary decline in Value of Real Estate in accordance with CICA, AcG-9 Financial Reporting for Life Insurance Enterprises.

Moving Average Market Method – Quarterly application

(For periods ending on or after January 1, 2003)

Realized and unrealized gains and losses are to be reported using the moving average market method in accordance with the CICA Handbook section 4210.

In applying the moving average market method, all societies (whether or not they are required to file quarterly returns with OSFI) are expected to use the market values at each quarter end. For the stock portfolio, 5 per cent of the difference between the market value at quarter end and the quarter end carrying value should be recognized. Refer to the example below for an illustration of this quarterly application.

For the real estate portfolio, the impact of changes in market value is recognized when appraisals are conducted. In accordance with GAAP, societies 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 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.

Quarterly Amortization (5% quarterly) - example

	Carrying Value Prior to Amort. (refer Note) (1)	Market Value (2)	Quarterly Amort. To P&L (2) – (1) x (5%) (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	-100	-100	99,900
Q2	99,900	95,000	-245	-345	99,655
Q3	99,655	92,000	-383	-728	99,272
Q4	99,272	93,000	-314	-1,042	98,958

NOTE:

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

REPORTING BY FUNDS**General Accounts (Mortality and Morbidity Insurance Funds)**

If a society's by-laws provide for more than one life insurance, accident and sickness and annuity funds, these should be reported on a combined basis for the purpose of the main financial statements of the Annual Return OSFI-56.

Section 4210 of the CICA Handbook on generally accepted accounting principles (GAAP) reporting for life insurance provides that the General account business includes life business, health business (accident and sickness) and annuity business, but excludes segregated accounts. As such the financial statements part of the Annual Return provides only one column for the reporting of the General accounts (mortality and morbidity insurance business).

It has been noted that some societies incorporate their expenses incurred in administering the Insurance Funds as part of the "Fraternal and Other Funds". Pursuant to GAAP reporting requirements, expenses incurred in administering Insurance Funds should be reported as part of the Insurance Funds. Any expense items relating to or allocated to Fraternal Funds should be reported in the Income Statement Pages 20.030 and 30.030 in Line 061 titled: "Fraternal and Other Fund Expenses", so that the expenses relating to the Insurance Funds are appropriately reported on Line 060 of the Income Statement.

Fraternal and other funds

A fraternal fund is a fund maintained for benevolent, cultural, educational or other fraternal purposes from which non-contractual benefits may be made available to members as the discretion of the administrators of the fund. In the Annual Return, only one column is provided for reporting Fraternal and Other Funds; a similar method of combined reporting should be followed if there is more than one fraternal and other funds maintained by the society.