



**Reference: Guideline for Life Insurance
Companies and Fraternal Benefit
Societies**

Our File: P4150-1

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To: Federally Regulated Life Insurance Companies
Federally Regulated Fraternal Benefit Societies

Subject: Revised Guideline E-12, Inter-segment Notes for Life Insurance Companies

OSFI has released an update to Guideline E-12 on Inter-Segment Notes, which applies to federally regulated life insurance companies and fraternal benefit societies. The Guideline updates and replaces the June 2000 Guideline.

Guideline E-12 outlines the conditions necessary for companies to use inter-segment notes (Notes). The revised Guideline permits greater flexibility in the allowable structure of Notes in order to make them more useful to companies. Since the integrity of the valuation of policyholder liabilities under the Canadian Asset Liability Method is highly dependent on the asset and liability cash flows, including those from Notes, OSFI expects that companies using Note programs will formally incorporate them into their investment policy framework.

This Guideline is available in English and French on OSFI's Web site at <http://www.osfi-bsif.gc.ca> under the Publications section.

Julie Dickson
Assistant Superintendent
Regulation Sector

