

Automobile Insurance Division

5160 Yonge Street, 17<sup>th</sup> Floor, Box 85  
North York ON M2N 6L9

Telephone: (416) 250-7250  
Toll Free: 1-800-668-0128  
Facsimile: (416) 590-7265

Division d'assurance-automobile

5160, rue Yonge, 17<sup>e</sup> étage, boîte 85  
North York ON M2N 6L9

Téléphone: (416) 250-7250  
Sans frais: 1-800-668-0128  
Télécopieur: (416) 590-7265

Direct Line: (416) 590-7109  
E-mail: [dchan@fsco.gov.on.ca](mailto:dchan@fsco.gov.on.ca)

## MEMORANDUM

**TO:** All Ontario Incorporated Fraternal Benefit Societies and Life Insurance Companies

**FROM:** Dennis Chan, Chief Actuary (Insurance)  
Actuarial Services

**DATE:** December 12, 2018

**RE:** **2018 LIFE MEMORANDUM TO THE APPOINTED ACTUARY**

---

All Ontario incorporated Fraternal Benefit Societies and Life Insurance Companies are required, under subsection 121.13 (1) of the Insurance Act, to submit an actuarial valuation report on the actuarial and other policy liabilities of the insurer. This actuarial report must be submitted with the Annual Statements filed under subsection 102(1) of the Insurance Act.

Actuaries who prepare the above actuarial report are advised to follow OSFI's Life Memorandum to the Appointed Actuary 2018, which is available on the OSFI website at <http://www.osfi-bsif.gc.ca>. The document may contain specific references to provisions of the federal Insurance Companies Act and federal regulatory requirements. Where appropriate, these should be read as references to the corresponding provisions in the Insurance Act (Ontario) and Ontario regulatory requirements.

This memorandum and the updated 2018 OSFI instructions replace the previous instructions. We outline the following key changes in OSFI's 2018 Memorandum:

1. Added a new supplementary peer review table in Section A.2.3. A separate excel spreadsheet will be provided to the insurers.
2. Revised Section B.3.2.6 "Economic Assumptions", including:
  - Removal of two scenario tests for low interest environment (0.5% and 1.5%).
  - Addition of new geographic specific flat interest rate tests (in order to be consistent with LICAT), including:
    - i. 5.3% for Canada, the United States and the United Kingdom,
    - ii. 3.6% for Europe other than the United Kingdom,
    - iii. 1.8% for Japan, and
    - iv. 5.3% for other locations

3. Changed the 15% or higher equity market correction test for segregated funds (B.4.5.18) to an immediate downward 15% shock on total fund value.
4. Added a new section on the mortality/morbidity improvement diversification (B.4.14).
5. Added a new section on the PfADs included in the LICAT surplus allowance (including a new table B.8.8).
6. Replaced references to the MCCSR with references to the LICAT.

For companies who are required to submit the Dynamic Capital Asset Testing report (DCAT), they should send the electronic copy of the report to FSCO no later than September 30, 2019.

For security reasons, e-mail should not be used. Companies should use FSCO's file transfer facility to upload the electronic copy of the report by making a request to FSCO contact. When separate electronic report is provided using the secured file transfer facility, it is preferable if information can be easily copied by FSCO staff and thus, the report should not be protected and exhibits should be in a format that can easily be transferred to a spreadsheet.

Please discuss the filing requirements with your Appointed Actuary. If there are any questions about the appropriateness of any particular requirement to your company, please do not hesitate to contact Vivien Chiang, Senior Actuarial Associate, at (416) 590-2095.

Dennis Chan  
Chief Actuary, Insurance  
Actuarial Services  
Automobile Insurance Division