

# OSFI RELEASES REVISED GUIDELINES TO REFLECT IFRS 17

Posted on April 6, 2022

**Categories:** [Insights](#), [Publications](#)

On April 4, 2022, the Office of the Superintendent of Financial Institutions (“**OSFI**”) released a [letter](#) to Federally Regulated Insurers (“**FRIs**”) outlining certain consequential changes as a result of the adoption of International Financial Reporting Standard 17 – *Insurance Contracts* (“**IFRS 17**”). The letter (i) describes revisions to current Guideline D-5: *Accounting for Structured Settlements* (“**Guideline D-5**”) and International Financial Reporting Standard 9 – *Financial Instruments and Disclosures* (“**IFRS 9**”) and (ii) lists guidelines that will be rescinded for annual periods beginning on or after January 1, 2023, as a reflection of the changing regulatory landscape.

## **Guidelines Revised to Reflect IFRS 17**

Revised versions of [Guideline D-5](#) and [IFRS 9](#) will come into force on January 1, 2023, to coincide with the implementation of IFRS 17. Revisions to Guideline D-5 reflect stakeholder feedback received during the consultation process to enhance consistency with IFRS 17, particularly regarding financial reporting implications of Type 2 structured settlement arrangements (for instance, clarifying that the annuity asset may take the form of a financial asset (IFRS 9) or a reinsurance asset (IFRS 17) depending on the structure of the arrangement). Similarly, revisions to IFRS 9 reflect updated references and terminology to ensure consistency with IFRS 17, especially relating to IFRS 9 section 3.2 (*Annual Disclosures for Property & Casualty Insurers*).

In addition, Guideline E-16: *Participating Account Management and Disclosure to Participating Policyholders and Adjustable Policyholders* remains under review. OSFI expects to release a revised version in Q1 of 2023.

OSFI also expects to publish revised capital guidelines including *Life Insurance Capital Adequacy Test* (LICAT), *Minimum Capital Test* (MCT) and *Mortgage Insurer Capital Adequacy Test* (MICAT) in August of 2022. While the revised guidelines will be updated to reflect IFRS 17, OSFI intends to maintain capital frameworks consistent with current capital policies to the extent possible to reduce potential industry-wide impacts.

## **Guidelines Rescinded Upon the Implementation of IFRS 17**

Based on the consultation, OSFI determined that a number of current guidelines will no longer be necessary or relevant after the adoption of IFRS 17 and IFRS 9 by all FRIs. In particular, the following guidelines will be rescinded for annual periods beginning on or after January 1, 2023:

Incorporated into IFRS 9:

- Guideline D-1A: *Annual Disclosures* (IFRS 9 section 3.1)
- Guideline D-1B: *Annual Disclosures* (IFRS 9 section 3.2)
- Guideline D-6: *Derivatives Disclosure* (IFRS 9 section 3.3)
- Guideline D-10: *Accounting for Financial Instruments Designated as Fair Value Option* (IFRS 9 section 1.IV)

No longer relevant:

- Guideline C-1: *Impairment – Sound Credit Risk Assessment and Valuation Practices for Financial Instruments at Amortized Cost*
- Guideline D-9: *Source of Earnings Disclosure (Life Insurance Companies)*
- Guideline E-12: *Inter-segment Notes for Life Insurance Companies*
- Guideline F1-F12: *Rescinded Letter*

These guidelines will be removed from OSFI's website in December of 2023.

FRIs should review revised [Guideline D-5](#) and [IFRS 9](#) to prepare for their implementation alongside IFRS 17 on January 1, 2023, and to ensure compliance moving forward. While several guidelines remain under review, the final revised D-5 and IFRS 9 Guidelines demonstrate OSFI's progress towards a successful implementation of IFRS 17.

By [Darcy Ammerman](#) and [Ricki-Lee Williams](#) (Articling Student)

### **A Cautionary Note**

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

© McMillan LLP 2022