Guideline

Title	IFRS 17 Insurance Contracts Guideline
Date	November 21, 2024
Sector	Insurance Companies Act

Table of Contents

1. Introduction

This guideline applies to federally regulated insurers (FRIs)[1] using International Financial Reporting Standard (IFRS) 17 Insurance Contracts.

The *Insurance Companies Act* stipulates that institutions' "financial statements shall, except as otherwise specified by the Superintendent, be prepared in accordance with Generally Accepted Accounting Principles (GAAP), the primary source of which is the Handbook of the Chartered Professional Accountants of Canada (CPA Canada)."[2] Expectations set out in this guideline should not impair an institution's ability to obtain an audit opinion that states that the financial statements are in accordance with GAAP, which for institutions is effectively International Financial Reporting Standards as issued by the IASB.

Canadian legislation governing institutions and OSFI's mandate promote boards and management of institutions to adopt policies and procedures designed to control and manage risk. OSFI may specify additional accounting and disclosure expectations. It may also direct institutions to use a specific option within an applicable accounting standard. OSFI makes these specifications in situations where there is a prudential need for additional accounting guidance. In addition to this guideline, OSFI may also provide IFRS 17 measurement guidance in the OSFI Memorandum to the Appointed Actuary, which is updated from time to time. OSFI also expects institutions to be aligned with this measurement guidance.

OSFI is clarifying its IFRS 17 expectations regarding:

1. Accounting for financial guarantee contracts for mortgage insurers;
2. Intra-group pooling insurance risk sharing arrangements; and
3. Captive fronting arrangements

A. Accounting for Financial Guarantee Contracts for Mortgage Insurers

IFRS 17 provides mortgage insurers the option to classify financial guarantee contracts as either IFRS 17 Insurance Contracts or IFRS 9 Financial Instruments. For consistency and comparability across the industry, mortgage insurers should classify and account for these contracts as insurance contracts and apply IFRS 17.

OSFI will communicate reporting expectations during the application process for future new entrants.

B. Intra-Group Pooling Insurance Risk Sharing Arrangements

These pooling arrangements are insurance risk sharing arrangements that redistribute risks between affiliates within a group of companies.

An important benefit of IFRS 17 is the disaggregation of transactions and the improvement in transparency of reporting. OSFI supports this objective. Accounting for intra-group arrangements should not be conducted on a net basis. Accounting on a net-basis conflicts with the objective of increased transparency.

Where an intra-group pooling arrangement constitutes a reinsurance arrangement then IFRS 17 reinsurance contract accounting should be applied as a direct insurance contract for the assuming party and reinsurance contract held for the ceding party. This permits OSFI to assess risks and capital at each individual entity level. It provides more clarity and certainty over priority of claims in the event of insolvency and provides for comparable and consistent reporting of reinsurance contracts across institutions.

C. Captive Fronting Arrangements

These arrangements are insurance contracts entered into with a policyholder and subsequently reinsured to an entity within the same group as the policyholder.

Irrespective of whether the captive fronting arrangement is classified and accounted for as an insurance contract under IFRS 17 or IFRS 15 Revenue from Contracts with Customers, OSFI expects the FRI to act as principal in its activities with the policyholder and adhere to the OSFI guidance found in Sound Reinsurance Practices and Procedures - Guideline B-3 (2025)[3].

If IFRS 17 is applicable, the institution is expected to fully account for these contracts as insurance contracts and disclose all reinsurance contracts held with unregistered reinsurers in the OSFI Regulatory Returns. If the insurer concludes that an accounting treatment other than IFRS 17 is appropriate for a particular captive fronting arrangement, the institution is expected to immediately notify their lead supervisor.

Footnotes

1 FRIs refer to all federally regulated insurers, including Canadian branches of foreign life and property and casualty companies, fraternal benefit societies, regulated insurance holding companies and non-operating insurance companies.

2 Subsections 331(4) and 887(4) of the *Insurance Companies Act*.

3 Refer to Sound Reinsurance Practices and Procedures – Guideline B-3 (2025) - Office of the Superintendent of Financial Institutions.