



---

# Letter

---

**Title** Life Insurance Capital Adequacy Test (LICAT) Public Disclosures Requirements – Letter (2018)

**Date** March 29, 2018

**Sector** Life Insurance and Fraternal Companies

---

**To:** Federally Regulated Life Insurance Companies (including Fraternal Benefit Societies) and Insurance Holding Companies

OSFI is issuing the final version of its *LICAT Public Disclosure Requirements* guideline. Through the promotion of simple, useful and comparable public disclosures, the guideline should enhance transparency and encourage prudent behaviour through market discipline.

The guideline applies to federally regulated life insurance companies (including Fraternal Benefit Societies) and insurance holding companies and is effective for the period ending December 31, 2018.

OSFI would like to thank everyone who provided feedback during the consultation period. The Annex provides a summary of comments received and OSFI's response.

Should you have any questions, please contact David Correia, Director, Accounting Policy Division at ([david.correia@osfi-bsif.gc.ca](mailto:david.correia@osfi-bsif.gc.ca)) or by telephone at (416) 952-6607.

Sincerely,

Carolyn Rogers

Assistant Superintendent

Regulation Sector



## ANNEX

Comments from Respondents	OSFI's response
<p><b>Depth of Public Disclosure Requirements</b></p> <p>Users of the LICAT public disclosure information suggested the guideline should require disclosure that is more detailed. Some commenters suggested that the guideline should require disclosures be made on a quarterly basis and should include a rationale for any changes in the elements of the base solvency buffer.</p>	<p>OSFI is of the view that the disclosure requirements in the guideline strike an appropriate balance. OSFI will periodically review the LICAT public disclosures made by life insurers to determine whether any adjustments are needed to the guideline.</p>
<p><b>Location of Disclosures</b></p> <p>The draft guideline requires insurers to post the disclosures on their website. Some legal entities subject to the LICAT may not have a website. Also, the guideline would be helpful to those insurers who do not publish their annual report on their website.</p>	<p>Given that virtually all (98%) of the regulated FRFIs have access to a website, OSFI has determined that no change to the guideline is necessary regarding location of disclosure requirements.</p>
<p><b>Guiding Principles</b></p> <p>OSFI should explicitly state that the principles in section I of the guideline can be met if a company complies with the example disclosure in the guideline.</p>	<p>An explicit statement by OSFI to that effect would create a floor and ceiling for the disclosures, which is not OSFI's intention. Therefore, no change was made to guideline.</p>
<p><b>Summary Template – Complexity</b></p> <p>The level of disclosure appears to be quite complex for the average policyholder to understand. The template presentation should include only total ratio and its percentage change.</p>	<p>The provision of sufficiently detailed information to stakeholders is necessary to facilitate their understanding of an insurer's business, governance, risk measurement and risk management.</p> <p>Such transparency allows stakeholders to make informed decisions about the company and can play a role in promoting the accountability of the board of directors (where applicable) and management.</p> <p>OSFI's objective is to promote transparency around regulatory capital requirements. Therefore, no change was made to the public disclosure requirements template.</p>

<p><b>Timing of disclosure</b></p> <p>The draft guideline indicates the disclosures should be published concurrently with the life insurer’s annual reporting but it is unclear as to which annual reporting this refers.</p>	<p>The guideline has been clarified to indicate that publishing of LICAT disclosure reporting requirements should align with the filing of the insurer’s annual report.</p>
<p><b>Compliance with LICAT</b></p> <p>The draft guideline seems to contain public disclosure requirements similar to those under Sarbanes-Oxley (SOX), which is onerous and unwarranted.</p>	<p>OSFI believes that the LICAT public disclosure requirements should be subject to the same level of internal review and control process as information provided for financial reporting. This is consistent with disclosure requirements for deposit taking institutions. Therefore, no changes have been made to the guideline.</p>
<p><b>Provision of explanatory/background information</b></p> <p>OSFI’s website should provide additional background information such that insurance company disclosures would include a link to OSFI’s website. This would provide policyholders with a direct link to the LICAT and LIMAT guidelines.</p>	<p>OSFI has added a link to Annexes A and B of the disclosure guideline that will connect users to the LICAT/LIMAT guideline, which defines the terms included in the public disclosure summary templates.</p>