



Life Insurance Sector Consultation (LISC) 2021-2022

Final Report

Prepared for the Office of the Superintendent of Financial Institutions

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The Office of the Superintendent of Financial Institutions (OSFI) commissioned Sage Research Corporation to conduct a qualitative public opinion research study to explore perceptions of OSFI as the regulator and supervisor of federally regulated life insurance companies. The objectives of the research included assessment of OSFI's guidance to the industry, its supervisory activities and its approvals process for regulatory approval applications. Interviews were completed with 58 executives from 35 companies representing 28 life insurance companies and 7 reinsurance companies, between February 28 and May 3, 2022. This publication reports on the findings of this public opinion research study.

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Executive Summary

Purpose and Research Objectives

The primary purpose of the research was to explore perceptions of the Office of the Superintendent of Financial Institutions (OSFI) as the regulator and supervisor of federally regulated life insurance companies. The objectives of the research included assessment of OSFI's guidance to the industry, its supervisory activities and its approvals process for regulatory approval applications.

Methodology

A total of 42 interviews were conducted representing 35 life insurance companies (28 life insurance companies and 7 reinsurance companies) regulated by OSFI, ranging from the largest companies to the smaller institutions. A total of 58 individuals participated in the interviews. The participants were CEOs, Chief Agents, CFOs, CCOs, CROs, internal and external actuaries, and other senior executives.

The interviews were conducted either by telephone or via a video chat application between February 28 and May 3, 2022.

Qualitative Research Caution

The research conducted was qualitative in nature and designed to reveal a rich range of opinions and interpretations rather than to measure what percentage of the target population holds a given opinion. As such, the results provide an indication of participants' views on the issues explored but cannot be generalized to the full population of senior executives representing the life insurance companies regulated by OSFI. Rather, the findings from this research provide themes and direction. The findings cannot be used to estimate the numeric proportion or number of individuals in the population who hold a particular opinion because they are not statistically projectable.

Key Findings

Overall Impressions

Overall impressions of OSFI

- The overall assessment of OSFI is largely positive, just as it was in the 2016/2017 LISC. Widespread positive perceptions include:
 - Very good working relationship with the direct supervisory team
 - OSFI is proactive in identifying and responding to emerging areas of risk
 - Public consultation processes are well-managed, and provide ample opportunities for industry to provide input
 - OSFI has appropriately focused on the transition to IFRS 17, as this is a major undertaking for the industry

- Effective communication
- Effective in ensuring the soundness of the financial sector

Focus on Risk Areas

- OSFI is widely perceived to be focusing on appropriate areas of risk, and to be proactive in identifying and addressing emerging issues. Risk areas often cited positively in this regard included IFRS 17, cyber security, climate change risk, and the COVID-19 pandemic.
- Going forward, most said IFRS 17 should be OSFI's top priority, including (a) finalizing LICAT 2023; (b) monitoring the impact of LICAT on the industry and on individual companies; (c) communicating learning to the industry about impacts of the regulations; and (d) making adjustments to the rules as needed.
- After IFRS 17, the next most commonly suggested priorities were cyber security, followed by climate change risks.
- Some comparisons to the 2016/2017 LISC:
 - IFRS 17 was flagged as an important priority at that time, and the positive evaluation here of OSFI's focus on IFRS 17 indicates satisfaction with the follow-through
 - Cyber risk was also a high priority in 2016/2017, as it is now
 - Climate change risk is a new emerging risk priority, and was not named as a priority in 2016/2017

Strengths

Guidance

- **Cyber threat landscape and Changing technology:** Just as in the 2016/2017 LISC, OSFI is widely perceived to be actively addressing cyber security, and this initiative is widely supported. On changing technology, most had little to say. The small number who commented perceive OSFI not to be doing much. This was not seen to be a problem at present, but some felt it could become an issue in the relatively near future. For example, several said growing use of predictive analytics/AI/machine learning/automated decision-making could pose risks, particularly when applied to underwriting.
- **Balancing prudential considerations with need to compete:** The majority of participants perceived OSFI positively on developing guidance that strikes an appropriate balance between prudential considerations and the need for institutions to compete.
- **Guidance provides a clear indication of OSFI's expectations:** Most said OSFI's guidance gives a clear indication of its expectations. And, if it is unclear how to apply a principles-based guideline, some commented that often the supervisory team can help with interpretation.
- **IFRS 17**

- *Communication:* OSFI is widely perceived positively both on communication of the changes introduced in the Draft LICAT 2023 Guideline, and on communication of accounting policy positions and progress reporting requirements.
- *Consultation:*
 - *Overall IFRS-related consultative process:* With regard to the overall IFRS-related consultative process, almost all participants said OSFI has done a good job: good engagement with industry, clear communication of the changes, good pacing in terms of time allowed for industry responses and OSFI's responses to the industry. Although, some said they wished the process had started earlier or gone faster, in order that LICAT 2023 could be finalized sooner.
 - *LICAT consultative process specifically:* With regard to the LICAT consultative process specifically, the majority were satisfied, but recent proposals by OSFI around the time of the interview fieldwork (March 2022) triggered strong dissatisfaction among some companies, as described in the Challenges section of this summary.
 - *QIS#3:* This combined questions across subject matter areas, rather than separate asks from each area. Almost all the participants who had some involvement in responding to QIS#3 favoured the new approach. The primary reason is that it facilitates a more integrated and holistic response: (a) encourages and facilitates different areas in the company to work together; (b) helps the company understand the impacts of IFRS 17 on their business in a more holistic way.
- ***E-4 Foreign Entities Operating in Canada on a Branch Basis and B-3 Sound Reinsurance Practices and Procedures:*** Most of those involved in these two consultations were satisfied with the consultation process. Although, with regard to B-3, the majority of participants did not participate in the consultation as they did not see it as being a major factor for their life insurance company. Some commented B-3 is much more important to the P&C business. This suggests that a full assessment of OSFI's consultative process for B-3 will require input from P&C insurers.
- ***Consideration of Nature, Size and Complexity of LIs:*** This topic was addressed in two contexts in the interview, once with respect to guidance (asked of all but the three largest LIs), and again with respect to supervision (asked of all LIs).
 - *Guidance:* The majority of participants were satisfied that OSFI's guidance considers the nature, size and complexity of LIs, with some specifically noting that this consideration is written into guidance. There were satisfied participants from both large and small companies, but satisfaction tended to be more common among the small companies.
 - *Supervision:* Almost all participants – in all size ranges – said OSFI's direct supervisory team is good in terms of scaling supervisory activities and recommendations to risk profile, nature, size and complexity of their company.

Supervision

- ***Overall evaluation:*** As in the 2016/2017 LISC, overall evaluations of OSFI's direct supervisory teams are very positive, and are widespread across all sizes and types of LIs. Positive assessments included:
 - Good communication, in several respects:

- *Readily accessible*
- *Responsive to questions and requests*
- *Open and frank dialogue that facilitates constructive interaction*
- Knowledgeable about the company and about OSFI guidelines, and bring in experts when necessary
- Reasonable, pragmatic, constructive
- Scale supervisory activities and recommendations to the nature, size and complexity of the business

Approvals

- A large majority of those involved in an approval the past 1 to 2 years were satisfied with the processing of their application: about half said there were no issues at all, and the rest said they were satisfied overall but the process was a bit slower than they would have liked. This matches the findings in the 2016/2017 LISC.
- The keys to satisfaction were (a) timely approval, and (b) the approval process goes mostly as expected. The implication is that managing expectations at the outset is very important for client satisfaction with the approvals process.

Communication

OSFI is widely perceived positively on communication, both in terms of responding to questions and in its written communications. There was a similar finding in the 2016/2017 LISC.

Challenges

Guidance

- **“Overload”**: The most commonly mentioned concern – by just under half of the participants – was the number of different consultations and data requests companies have been asked to respond to recently. Particularly in the context of the extensive amount of work companies are doing to prepare for IFRS 17 and the revised LICAT, OSFI is perceived to be “overloading” the industry with a variety of other consultations, and with no clear prioritization. Note that this type of “overload” was not a concern in the 2016/2017 LISC. Participants suggested OSFI needs to better prioritize its consultations and data requests, that the IFRS 17 transition should be OSFI’s top priority, and that at least some of the other consultations be put on slower timetables.
- **Cyber security**: While participants were supportive of OSFI’s focus on cyber security, where some participants have issues, it’s with **how** OSFI is approaching this area. These concerns were not mentioned in the 2016/2017 LISC.
 - OSFI’s approach is perceived to be overly prescriptive
 - OSFI’s cyber incident reporting requirements are perceived to be unnecessarily onerous
 - Some suggested OSFI should consult more with industry, both on regulatory principles and to develop useful and realistic incident reporting requirements

- **Developing guidance that balances prudential considerations with need to compete:** The majority perceived OSFI positively on striking a good balance. Among the minority of participants with concerns, there was no single focus but rather a mix of issues, including:
 - *Proposed capital requirements for segregated funds:* SFI's draft proposed requirements are perceived to be too high. Other stated concerns: (a) draft rules are overly "theoretical"; (b) rules are being developed by a very small number of people in the capital division with insufficient senior-level oversight; (c) those developing the rules are not sufficiently open to discussing modifications.
 - *Lack of consideration of global competitiveness:* Several participants with international operations said they think that while OSFI may consider competitiveness within Canada, they don't think OSFI gives sufficient consideration to the value of global competitiveness. The specific issue is a belief that OSFI requires companies to hold too much capital in Canada. This concern was also expressed in the 2016/2017 LISC.
 - *Perceived trend to more prescriptive guidance:* Some perceive a trend towards more prescriptive guidance, which can overly limit flexibility in being competitive. This sort of perceived trend was not noted in the 2016/2017 LISC.
- **IFRS 17:** The majority were satisfied with the LICAT consultative process. However, recent proposals by OSFI around the time of the fieldwork (March 2022) triggered strong dissatisfaction – primarily among some large insurance companies (the issue – a proposed approach related to achieving capital neutrality – i.e. use of a "scalar"). Up to this point in time, these participants were largely satisfied with the process. Aside from disagreeing with the recent proposals, the consultative issues were: (a) OSFI proposals were unexpected based on prior interactions with OSFI, and (b) participants did not feel there was sufficient consideration of their input.
- **Consultation:** While OSFI is perceived positively on how it manages consultations, there were some suggestions by minorities of participants – both of which were more often mentioned in the 2021/2022 LISC than in the 2016/2017 LISC:
 - Do more consultations with industry before doing a public consultation. OSFI is perceived to be moving more quickly to public consultations, with negative consequences: (a) draft guidance is trending towards being more prescriptive; (b) higher likelihood of changes being needed during public consultation
 - Be more open-minded in responding to industry suggestions for modifications to guidance – there is a perception that OSFI has become less open.
- **Capital division:** Some participants flagged concerns about certain staff in the capital division. They said there is some guidance coming from that division which they perceive to be overly complex and "theoretical". Further there was a perception that few in OSFI – outside of the individuals writing the guidance – understand the guidance or its rationale. A few participants said that OSFI has "key person risk" because of this. This particular concern did not arise in the 2016/2017 LISC.

Supervision

- **Working relationship with other groups in OSFI:** There was very little in the way of suggestions for improvements to the direct supervisory teams. Among those who had suggestions, the most common (about a quarter of all participants) involved encouraging closer working relationships between the direct supervisory team and other groups within OSFI, in order to leverage the strengths of the direct supervisory team.

Cost of Research

The cost of this research was \$64,925.28 (HST included).

How this information is expected to be used

The research findings will help OSFI assess how well it is achieving its mandate overall and will enable OSFI to improve on performance, as required, in its regulatory and supervisory activities as they pertain to federally regulated life insurance companies.

Political Neutrality Statement

I hereby certify as Senior Officer of Sage Research Corporation that the deliverables fully comply with the Government of Canada's political neutrality requirements outlined in the Policy on Communications and Federal Identity and the Directive on the Management of Communications. Specifically, the deliverables do not contain any reference to electoral voting intentions, political party preferences, standings with the electorate, or ratings of the performance of a political party or its leaders.



Anita Pollak
President, Sage Research Corporation

Introduction

Background and Purpose

Since 1998, the Office of the Superintendent of Financial Institutions (OSFI) has commissioned consultations with senior members of the financial services community to obtain their assessment of OSFI's effectiveness as a supervisor and regulator. In 2021, OSFI commissioned Sage Research Corporation, an independent research firm, to undertake a consultation with key stakeholders in the life insurance (LI) sector in order to explore perceptions of OSFI.

Research Objectives

The objectives of the research were to:

- Evaluate OSFI's overall performance and OSFI's effectiveness in performing against its mandate with respect to supervision and guidance.
- Assess industry satisfaction with OSFI as Canada's principal prudential regulator and supervisor of the life insurance sector and any suggestions for areas in which OSFI might improve.
- Examine areas of risk specific to the life insurance sector.
- Identify emerging issues that key stakeholders believe should be top priorities for OSFI to address in the next couple of years in the regulation of the sector.

Approach and Methodology

Sample Composition

- Thirty-five companies – 28 life insurance companies and 7 reinsurance companies – were represented in the research, which is just over four-fifths of the total sample of LIs regulated by OSFI. Four of the companies represented in the sample were Quebec-based, 29 were in other parts of Canada, including two where the interviewees were outside Canada.
- Forty-two interview sessions were conducted with these institutions, 39 in English and three in French.
- A total of 58 individuals participated in the interviews.

The following details the breakdown of the completed interviews by size, type of company and type of insurer:

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	Number of Companies	Number of Interview Sessions	Number of Participants
	N=35	N=42	N= 58
Size of Company			
Large life insurance companies (at least \$1 billion in assets)	20	24	31
Small life insurance companies (assets less than \$1 billion)	10	10	19
External appointed actuaries	5*	8	8
<i>Large life insurance company</i>	0	1	1
<i>Small life insurance company</i>	5	7	7
Type of Company			
Domestic life insurance company	23	27	38
Foreign life insurance company	7	7	12
External appointed actuaries	5*	8	8
<i>Domestic life insurance company</i>	0	2	2
<i>Foreign life insurance company</i>	5	6	6
Type of Insurer			
Direct insurance company	25	29	41
Reinsurance company	5	5	9
External appointed actuaries	5	8	8
<i>Direct insurance company</i>	3	6	6
<i>Reinsurance company</i>	2	2	2

* Interviews were completed with eight external appointed actuaries. Of these eight, five included representation of companies that were not otherwise interviewed while the remainder represented companies with which interviews were completed with executives from those companies.

The following summarizes the title or position of the individuals who participated in the interviews:

	Number of Participants
	N= 58
Title/Position of Participant	
CEOs/Chief Agents	18
CFOs	12
CCOs	6
CROs	4
Internal actuaries	3
External appointed actuaries	9
Other executives	6

Approach

Sample: OSFI provided Sage Research Corporate with a list of names and contact information for 43 life insurance companies. Sage Research recommended a sampling plan to OSFI. The target plan aimed to represent CEOs, CFOs, CCOs, internal and external appointed actuaries across life insurance companies. Sage Research randomly selected potential interviewees across the different types and sizes of companies.

Recruitment Process: The selected individuals were emailed a package containing:

- An invitation letter from the Superintendent of OSFI
- A letter from Sage Research providing some additional information on next steps
- A copy of the complete interview guide to allow participants to prepare in advance for the interview

Approximately two days after mail out, senior consultants from Sage Research who were also responsible for conducting the interviews, contacted each potential participant by telephone to confirm their willingness to participate in the consultation and to schedule a time for the interview. A minimum of three attempts by telephone and email was made to reach each potential participant. In some cases, the selected individual designated another person in their organization for the interview, and in other cases they requested the interview be conducted with more than one person in their institution (six of the 42 interview sessions involved more than one participant, ranging between two and five participants).

Participants were given the choice of completing the interviews by telephone or video chat (with the option of enabling or not enabling a webcam), either using Zoom or their own video chat application. Of the 42 sessions, 12 were conducted by phone and 30 were conducted via a video chat application.

Method: Qualitative research using a semi-structured, one-on-one interview approach was used to provide a depth of insight that is not achievable through other research methods and, in particular, through strictly quantitative surveys. One-on-one interviews allow deep probing into underlying assessments of OSFI's effectiveness.

Interviewing:

- The interviews took place between February 28 and May 3, 2022.
- The interviews ranged between 30 and 90 minutes. The majority of the interviews were about 60 minutes long.
- Participants were asked permission to record the interview. Of the 42 interview sessions, 36 agreed to recording and six did not. The interviewers took detailed notes in instances when the interviewee(s) did not agree to being recorded.
- Participants did not receive an honorarium for their participation. Following an interview, each participant was sent a thank you note from the Sage Research interviewer. At the end of the project, Sage Research sent participants a thank you note on behalf of the Superintendent of OSFI.
- Two interviewers were used for the research. Steps were taken to ensure both interviewers were fully prepared and briefed on emerging themes across the various interviews.

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- Multiple moderators were required to ensure that interviews were conducted in the official language of choice of each participant.
- Anita Pollak conducted all the English-language interviews.
- Sylvain Laroche conducted all the French-language interviews. Prior to the first French-language interviews, Sylvain was provided multiple debriefings on the expected themes and on the results of the initial English-language interviews.
- The interviewers shared learning from the interviews on an ongoing basis.

Qualitative Research Caution

The research conducted was qualitative in nature and designed to reveal a rich range of opinions and interpretations rather than to measure what percentage of the target population holds a given opinion. As such, the results provide an indication of participants' views on the issues explored but cannot be statistically projected to the full population of senior executives representing the life insurance companies regulated by OSFI. Rather, the findings from this research provide themes and direction. The findings cannot be used to estimate the numeric proportion or number of individuals in the population who hold a particular opinion because they are not statistically projectable.

Overall Impressions of OSFI

Overall Satisfaction with OSFI as the Principal Prudential Regulator and Supervisor

Q.1 Overall, how satisfied are you with OSFI as the principal prudential regulator and supervisor of Canada's financial services industry?

The overall assessment of OSFI as the prudential regulator and supervisor of the life insurance sector was largely positive.

Widespread positive perceptions of OSFI include:

- Very good working relationship with the direct supervisory team
- OSFI is proactive in identifying and responding to emerging areas of risk
- Public consultation processes are well-managed, and provide ample opportunities for industry to provide input
- OSFI has appropriately focused on the transition to IFRS 17, as this is a major undertaking for the industry
- Effective communication
- Effective in ensuring the soundness of the financial sector

Some commented that OSFI is generally better to deal with compared to other regulators in Canada and/or the world, both in terms of being more principles-based and in terms of the good, open relationship with the direct supervisory team.

While overall impressions of OSFI were largely positive, some participants voiced concerns or made suggestions. These are noted in the relevant sections of the report. The most commonly mentioned concern – by just under half of the participants – was related to the number of different consultations and data requests companies have been asked to respond to recently. Particularly in the context of the extensive amount of work companies are having to do to prepare for IFRS 17 and the revised LICAT, OSFI is perceived to be “overloading” the industry with a variety of other consultations, and with no clear prioritization. Some said that it has been difficult to keep up with the volume and pace of consultations, and suggested OSFI should do more to prioritize the different consultations. In particular the suggestion was that the IFRS 17 transition be OSFI's top priority, and that at least some of the other consultations be put on slower timetables.

One other general concern voiced by some participants was that they perceived a relatively recent trend towards more prescriptive guidance. The most common example given was cybersecurity, and several suggested this applies to recent work on nonfinancial risks generally.

Focus on Areas of Risk in the Life Insurance Sector

Q.2 How would you assess OSFI on the extent to which it focuses on the appropriate areas of risk in the life insurance sector?

Q.3 How would you assess OSFI with respect to how proactive it is in responding to emerging issues pertaining to the life insurance sector?

Q.4 What one or two risk areas do you believe should be priorities for OSFI in the next couple of years pertaining to the life insurance sector?

Overall

OSFI is widely perceived to be focusing on appropriate areas of risk, and to be proactive in identifying and addressing emerging issues.

That said, just under half of the lifeco and reinsurer participants said OSFI has “overloaded” the industry with the number of areas on which it has recently been asking for input from industry, particularly in the context of the large amount of work companies are having to do to prepare for IFRS 17. These participants said OSFI needs to do better at prioritizing, and in particular to give top priority to the IFRS 17 transition.

- As an example, one participant said by their count they were asked to respond to eight nonfinancial risk consultations in the past year, and also commented that in conversation with industry associations they had been told that the industry had received more requests for consultation in the preceding six months than in the preceding three years.
- Typically the participants complaining about “overload” are not saying OSFI is focusing on inappropriate areas of risk, but rather are suggesting that the pace of consultation and change needs to be slowed down in some areas –particularly nonfinancial risk areas. A specific example mentioned by several of an area that should be deprioritized was culture risk.
- Participants concerned about “overload” said the consequence is a strain on their resources. In these companies, it is typically the same people who are tasked with responding to the various consultation requests – and who are the same people working on the IFRS 17 transition. Several commented this can compromise the quality of responses to OSFI consultations.

IFRS 17 Transition

The phrase “IFRS 17 transition” refers both to what companies are doing to comply with IFRS 17 and to the finalization and implementation of LICAT 2023.

OSFI is widely perceived to have been appropriately focused on the IFRS 17 transition. It was also widely suggested that the IFRS 17 transition should be OSFI’s top priority over the next year or two. This includes (a) finalizing LICAT 2023; (b) monitoring the impact of LICAT on the industry and on individual companies – particularly in terms of impact on capital requirements and making sure the industry is appropriately capitalized (i.e., not too little but also not too much); (c) communicating learning to the industry about impacts of the regulations; and (d) making adjustments to the rules as needed. A point participants emphasized is that once IFRS 17 and LICAT 2023 are implemented, it will take time to sort out the impacts on the industry and individual companies.

Making the IFRS 17 transition the top priority would mean slowing down the timetable on at least some other matters that require input or changes from the industry, in order to allow companies to focus their resources on the IFRS 17 transition.

Other risk areas OSFI has appropriately focused on

Several other areas quite widely mentioned as being appropriate areas of focus included:

- *COVID-19 pandemic*: Many participants said OSFI did a good job of quickly responding to the COVID-19 pandemic and requesting information from companies in order to assess the potential impact on the financial soundness of the industry.
- *Cybersecurity*: Many participants said OSFI has been appropriately focused on cybersecurity, although some expressed concerns about how OSFI had been handling this. This is discussed further in the section on perceptions of OSFI's handling of the cyber threat landscape.
- *Climate change*: Some participants cited OSFI's work on climate change.

Risk areas OSFI should de-emphasize

For the most part, participants perceived OSFI as focusing on appropriate areas of risk. That said, small numbers were critical of the focus on:

- *Culture risk*: A few participants were skeptical that culture risk, as laid out by OSFI, can be a significant solvency risk.
- *"Assurance" risk*: OSFI is conducting a consultation on what constitutes appropriate assurances for regulatory returns. A few participants believe this is unnecessary because they perceive existing assurance practices to be sufficient, and that additional requirements are onerous especially for smaller companies.

Participant suggestions for OSFI risk priorities over the next one or two years

As noted, most suggested the IFRS 17 transition be OSFI's top priority over the next one or two years.

The next most commonly suggested priorities were cybersecurity (see section, *OSFI's Response to the Evolving Cyber Threat Landscape and Changing Technology*), followed by climate change risks.

With regard to climate change risks: Although participants were instructed to focus on the life insurance business, a few participants whose company also sold P&C insurance (property and casualty) commented that climate change risks are a higher priority for their P&C business than for their life business. The climate change risks for the P&C business include both physical risks and transition risks, whereas for the life business it is primarily transition risks. Because of the latter, a few participants suggested climate risk should be a lower priority for the life insurance sector specifically.

The following were each suggested by several participants as priorities for OSFI in the next one or two years:

- COVID-19: Specifically, these participants suggested OSFI should monitor the longer-term impacts of COVID-19 on mortality, including the impacts of “long COVID” – i.e. among people who experience long-term health issues from the virus.
- Investment risk or financial volatility caused by external world events: The particular concern mentioned by these participants was geopolitical risks. This was motivated by the recent events in Ukraine and the perceived impacts on market volatility and inflation. One participant suggested OSFI should address this by perhaps having a few in-house experts but otherwise relying on external resources such as the monitoring that multinational insurance companies already do and other resources in the federal government.
- Technology risk: Specifically, participants referred to the likely growing use of predictive analytics or AI in life insurance underwriting. These participants said this sort of technology risk is an area which they perceive OSFI not to have focused on. One participant also commented that while use of predictive analytics is common in the P&C business, it has not been as widely applied to life insurance underwriting – but that is likely to change.

Opportunities for Improvement as a Regulator and Supervisor

Q.5 What one or two things does OSFI need to improve upon as a regulator and supervisor?

Note that suggestions specific to supervision are covered in a later section, as are some suggestions related to IFRS 17 and LICAT 2023.

The single most widely mentioned suggestion was for OSFI to better prioritize its various consultations and data requests in order to allow the industry to better focus its resources on preparation for and implementation of the IFRS 17 transition.

Another more widely mentioned suggestion, albeit by a minority of participants, was consultation-related. OSFI is widely perceived to run well-managed consultation processes. That said, there were two suggestions made by some participants:

- OSFI should do more consultations with industry before doing a public consultation. Some participants commented that they believe OSFI has recently placed less emphasis on initial consultations with industry and instead moved more quickly or directly to public consultations. The perceived consequences are (a) that draft guidance going out for public consultation is trending towards being more prescriptive/rules-based rather than principles-based (because there is no advance input from industry on what the appropriate principles might be), and (b) there is a higher likelihood that some of the guidance might need to change, resulting in a less efficient public consultation process.
- OSFI should be more open-minded about responding to industry suggestions for modifications to guidance. Several participants believed that OSFI has become less open to considering industry suggestions, and is more just going through the motions of conducting consultations so that it can say the industry was consulted. Note that this will be noted again in the later section on the LICAT 2023 consultation.

The following suggestions were each made by several participants:

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- Before issuing a data request to the industry, consult with the industry or some companies on what the objectives are and what types of data would be useful and realistic to collect. These participants said there have been data requests where it seems like the designers of the request do not seem to really know what they need or what is realistic, and therefore ask for too much information. The participants suggested the data request could be more efficient and useful if there was some initial consultation on what should be included. Examples given included cyber incident reporting and outsourcing/suppliers.
- Provide industry-level learning from OSFI data collection exercises. The participants said that more often than not, they don't see OSFI sharing industry-level learning from its data requests. They felt that getting this learning could better help companies assess their processes or risk profiles relative to where the industry is as a whole.
- Work for more coordination with provincial regulators on areas where there are overlapping types of requirements. Examples mentioned included cyber security, cyber incident reporting, and outsourcing. The goal would be to align reporting requirements so that a company does not have to report on the same topic in somewhat different ways to different regulators, and possibly to share information on overlapping areas such that a company's primary compliance activities are with OSFI and are not duplicated with provincial regulators.
- Reexamine the Canadian capital requirements for multinational companies (whether Canadian-based or foreign branches). A few referred to this specifically as the rules around solo capital. The issue is that these participants believe the current rules require more capital be held in Canada than is necessary.
Related to this was a suggestion that OSFI recognize that there are benefits to being an international company – the example given was access to capital markets in other countries. As one participant put it, they believed it is a good thing for Canadian policy holders to deal with an insurer “that has the strength of the world behind them.”
- Reexamine the treatment of negative reserves. The perceived issue is that OSFI rules overestimate lapse risk.

The following suggestions were each made by a few participants:

- Recognize important differences between insurance and banking in any attempt to align regulation of the insurance and banking sectors. A few participants perceive OSFI as having a goal of further aligning or harmonizing the regulation of the two sectors. They noted that the two sectors can have very different time frames from a risk perspective. If a life insurance company runs into trouble, it can play out over a long period of time, whereas the time frame for a bank can be much shorter. An example mentioned was the treatment of deferred tax assets, which don't expire for a life insurance company, but evidently do for a bank.
- When implementation of some new guidance has a significant IT component, OSFI should allow more time for implementation than it might otherwise normally provide. Often significant IT work is required to implement new OSFI guidance. The concern was that if the implementation period is too short, it can take company IT resources away from working on internal projects critical to the company's goals and competitiveness. One suggestion was

that 18 months to two years should be the minimum period allowed for implementation when significant IT work is required.

- Acknowledge reading a company's response to a data request, as often there is no response.
- Align the terminology used in LICAT guidance and LICAT-related forms, as sometimes the terminology used is different between the two.
- In general, before proceeding to develop industry-wide guidance to deal with a particular issue, check if the issue is sufficiently limited in scope such that it can instead be dealt with at the supervision level for the specific companies of concern.

There were several suggestions from external actuaries in their role as appointed actuary:

- Several EA participants suggested OSFI should more often include the appointed actuary on the distribution list for relevant communications sent to the company contact. They said typically they are not sent any of the OSFI communications, and have to rely on the client to forward them on – which doesn't always happen or happen on a timely basis.
- Several EA participants suggested there be a bit more contact between the supervisory team and appointed actuary. They said currently there is little direct interaction. They felt the supervisory team and OSFI might have a better understanding of the company and the risks it is exposed to if there was a bit more direct interaction.
- One EA participant said OSFI should quickly finalize guideline E-15 (*Appointed Actuary: Legal Requirements, Qualifications and Peer Review*), because it pertains to what is required of appointed actuaries when IFRS 17 is implemented in January 2023. As an example, they mentioned wanting to know the details for the requirements for external peer review.

OSFI's Guidance

Response to Market Developments or to Industry Suggestions

Q.6 How would you assess OSFI with respect to responding in a timely manner to emerging issues, market developments or to industry suggestions that guidance needs updating?

OSFI was positively perceived by many in terms of the timeliness of its responses to market developments or industry suggestions. As noted earlier, OSFI is also perceived to have good consultation processes for obtaining industry input.

A specific market development a number of participants commented on was the COVID-19 pandemic, where OSFI was perceived to have responded quickly and appropriately.

That said, some participants (a minority) said that while OSFI has a good consultation process in terms of seeking input from industry, they perceived OSFI as sometimes not seriously considering the input. They believed that OSFI has already decided on its response, and is only “going through the motions” of seeking industry input so that it can say it consulted the industry. On the other hand, there were also some participants who believe OSFI does generally seriously consider industry input, so there are different perceptions of OSFI on this dimension.

As described earlier, there are several areas where a number of participants felt OSFI needs to do more, or continue doing more, most notably the IFRS 17 transition, cybersecurity, and climate change risk.

A few participants referred to specific guidelines that they would like to see updated:

- E-16 - *Participating Account Management and Disclosure to Participating Policyholders and Adjustable Policyholders* (issued in 2011). A few participants commented that it appeared to them that OSFI has followed a very slow, multi-year, on-again/off-again process to update the guideline, and that they're not aware of any progress at the present time.
- B-10 - *Outsourcing of Business Activities, Functions and Processes* (last revised in 2009). For example, it was suggested that outsourcing has implications for cybersecurity, and so this guideline needs to be updated as part of OSFI's overall initiative on cybersecurity.

OSFI's Response to the Evolving Cyber Threat Landscape and Changing Technology

Q.7 How would you assess OSFI's response to the evolving cyber threat landscape and changing technology with respect to life insurance companies?

There are two dimensions to the question – cybersecurity/cyber threat and changing technology that isn't directly related to cybersecurity. The results are different for these two dimensions, so the results are summarized separately.

Cybersecurity/Cyber threat landscape

OSFI is widely perceived to be actively addressing cybersecurity, and this initiative is widely supported, and many want OSFI to continue to focus on this area.

Where some participants have issues with OSFI on cybersecurity is in how OSFI is approaching it. The following were each mentioned by some participants

- OSFI's approach is perceived to be overly prescriptive. Several commented that a concern here is that OSFI's guidelines may become outdated as technology evolves, whereas a more principles-based approach would better adapt to future changes in technology.
- OSFI's cyber incident reporting requirements are perceived to be unnecessarily onerous. The requirements were criticized on two dimensions:
 - Need to report "everything": The comment was that financial institutions can experience many attacks daily on their firewall, some more serious than others. It was suggested there needs to be a "materiality factor" to limit reporting to the more serious attacks.
 - 24-hour reporting is too soon: The comment was that understanding what happened in a particular instance can take more than 24 hours. So, while one can report within 24 hours that something happened, one may not be able to give sufficient detail on what happened.
- Related to the above two points, some suggested OSFI should be doing more consultation with industry, both to identify appropriate regulatory principles, and to develop realistic and useful cyber incident reporting requirements. Several participants from large institutions said they have more expertise in cybersecurity than OSFI, and suggested OSFI should make more use of their expertise.

On a related point, a few participants suggested OSFI needs to continue to develop internal expertise on cybersecurity, although they also expressed concern whether OSFI can compete with the private sector in attracting top talent in this area.
- OSFI should coordinate with provincial and other regulators to better harmonize regulations and incident reporting requirements, and perhaps share information to reduce duplication in reporting to different regulators.

Changing technology

Overall, most participants had little to say about OSFI's response to changing technology that is not related directly to cybersecurity. Several LIs commented that they don't get involved with "advanced technology", and so didn't have anything to say on the subject.

The relatively small number of participants who did comment perceive OSFI not to be doing much to address risks associated with changing technology in the life insurance sector. This was not seen to be a problem at present, but some felt it could become more of an issue in the relatively near future.

For example, several said growing use of predictive analytics/AI/machine learning/automated decision-making could pose risks to financial soundness, particularly when applied to underwriting. The concern was that some companies might be overly aggressive in adopting these types of technology without fully understanding their accuracy or limitations. The result could be an unforeseen increase in risk.

Developing Guidance that Balances Prudential Considerations with Need to Compete

Q.8 How would you assess OSFI with respect to developing guidance that strikes an appropriate balance between prudential considerations and the need for life insurance companies to compete?

The majority of participants perceived OSFI positively in terms of developing guidance that balances prudential considerations and the need to compete.

Among the minority who had concerns in this area, there was no single issue but rather different participants had different concerns. Concerns were found among all company size ranges, and weren't concentrated in any one size range.

The following types of concerns were mentioned:

- *Proposed capital requirements for segregated funds.* As context, OSFI is in the process of developing a new approach to determine capital requirements for segregated fund guarantee risk. There has been some consultation already on a draft, more consultation is planned for 2023, and the plan is to publish final guidance in September 2024. Some participants said that current draft capital requirements are higher than these should or need to be. They said this would adversely affect competition with mutual funds (which do not have a life insurance component or any guarantees), and could make segregated funds uncompetitive because of the cost to the client

These participants were also critical of both the nature of the proposed rules, and how OSFI is developing them:

- They described the rules as being overly complex and “theoretical.”
 - They perceive the rules as being developed by a very small number of people in the capital division. Several perceived these individuals to be at a more “junior” level, and felt there was little involvement or oversight by more senior, experienced individuals at OSFI who they felt might have a better understanding of the practicalities of the industry.
 - They do not feel that to date those who developed the rules are sufficiently open to discussing modifications. One participant suggested bringing in a neutral third party to work with both sides on possible changes.
- *Lack of consideration of global competitiveness:* Several participants with international operations (either based in Canada or a foreign branch), said they think that while OSFI may consider competitiveness within Canada, they don't think OSFI gives sufficient consideration to the value of global competitiveness. The specific issue is a belief that OSFI requires companies to hold too much capital in Canada. As one of these participants put it, they

perceive OSFI's capital requirements to "penalize global expansion relative to expansion within Canada", and they believe OSFI inappropriately places less value on capital outside Canada than within Canada.

- *Regulatory compliance requirements are not scaled to risk:* Several participants said they do not feel regulatory compliance requirements are scaled appropriately to level of risk, such that a smaller or lower risk company has the same regulatory requirements as a larger or riskier company. In smaller companies with limited resources, this can divert resources from focusing on the business.
- *Perceived trend to more prescriptive guidance:* Some participants perceived a trend towards more prescriptive guidance, and several felt this can overly limit flexibility in being competitive.
- *LICAT and capital neutrality:* As context, in revising LICAT to accommodate IFRS 17, OSFI has stated a goal of limiting the capital impact on a sector wide basis, which is referred to as "capital neutrality." A few participants felt that maintaining capital neutrality only at the sector level could end up requiring higher capital reserves than necessary for some companies, which could hurt competitiveness. They felt that LICAT should be more sensitive to risk-based requirements at the level of individual companies.

OSFI's Guidance Provides an Indication of OSFI's Expectations

Q.9 Overall, how effective do you think OSFI's guidance is in providing a clear indication of OSFI's expectations?

Most participants said OSFI's guidance gives a clear indication of its expectations. And, if it is unclear how to apply a principles-based guideline, some commented that often the supervisory team can help with interpretation.

Some participants commented that with principles-based regulation, it can sometimes be a bit unclear how to apply a principle to their company's specific circumstances. That said, these participants also said they still preferred principles-based regulation overall because of the flexibility it provides in complying with regulations. There was no specific guideline singled out as being particularly problematic.

Some participants perceived OSFI to becoming more prescriptive in its more recent guidance (B-13 was singled out in this regard). In the context of this question on clarity, a few commented that prescriptive guidance can be "too clear", with the consequences that it can obscure what the guiding principles should be, stifle innovation, and may become outdated (particularly in the case of cyber, as technology evolves).

A few participants had suggestions:

- In more recent guidance, OSFI has included examples, and this practice should be continued when older guidance is updated.
- OSFI uses Q&As in its consultation process when getting input from the industry – which is a good thing. It was suggested that OSFI also develop and publish Q&As for final guidance.

OSFI's Guidance and Consideration of Nature, Size and Complexity of Life Insurance Companies

Q.10 How would you assess OSFI's guidance on the extent to which it considers the nature, size and complexity of life insurance companies?

The interview guide had two general questions on the extent to which OSFI considers the nature, size and complexity of LIs: Q.10 with respect to OSFI's guidance, and Q.19 with respect to OSFI's supervision. Overall, OSFI is perceived more positively on the supervision question than on the guidance question. The discussion here focusses on Q.10 guidance. (Note that this question was not asked of the three largest life insurance companies.)

The majority of participants were satisfied that OSFI's guidance considers the nature, size and complexity of life insurance companies, with some specifically noting that consideration of nature, size and complexity is written into the guidance. There were satisfied participants from both large and small companies, but satisfaction tended to be higher among the small companies.

Note that later in the discussion guide participants were asked about satisfaction with whether supervisory activities and recommendations are scaled to nature, size and complexity. There was a high level of satisfaction with OSFI's supervision in this regard – and higher than satisfaction with guidance. The supervision results are summarized later, but are useful to note here as context, as to some extent concerns at the guidance level are mitigated in practice at the supervision level – a factor specifically noted by some participants.

Among the minority less than fully satisfied, reasons given included:

- Some participants felt they were subject to largely the same compliance requirements as the largest lifecos or companies with higher risk profiles, which they felt was not warranted and was a strain on their compliance personnel.
- Several participants associated with international businesses felt OSFI is overly prudential in terms of the amount of capital they are required to hold in Canada.
- Several participants with seg fund products were concerned that OSFI will require more capital reserves than they felt is warranted.
- A few whose company is in run-off felt that OSFI's guidance does not take into account their lower assets and risk profile.

LICAT and IFRS 17

This series questions deal with various aspects of LICAT and IFRS 17.

Communication of the Changes Introduced in the Draft LICAT 2023 Guidelines

Q.12 How would you assess OSFI with respect to communicating the changes introduced in the Draft LICAT 2023 Guideline (e.g. through industry-wide information sessions, seminars, meetings, etc.)?

Almost all participants were satisfied with OSFI's communication of the changes introduced in the Draft LICAT 2023 Guideline. The exception was a few participants who were not aware of OSFI's industry-wide information sessions or webinars, and who suggested OSFI hold such sessions.

Positive comments were made about:

- Industry-wide information sessions
- OSFI webinars/seminars
- OSFI engagement with industry associations, including the Canadian Life & Health Association (CLHIA) and the Canadian Institute of Actuaries (CIA)
- Meetings with individual companies (these were larger companies)
- A track-changes version of LICAT showing the changes
- Overall use of multiple channels of communication

Communication of the Accounting Policy Positions & Progress Reporting Requirements

Q.15 How would you assess the communication of OSFI's accounting policy positions and progress reporting requirements?

Participants said there was clear communication of accounting policy positions and progress reporting requirements.

Some commented positively that the progress reporting requirements helped companies stay on track in their IFRS 17 preparations.

Where some participants had issues was with what happened after submitting their progress reports:

- Some said they would like to have received feedback on the progress reports they submitted. These participants said they did not receive any feedback at all. For example, they said they wanted to know: *Did OSFI look at the report? Did the report provide the information OSFI was looking for? Are there any follow-up questions?*
- Some suggested OSFI should have provided industry-level summaries, in order to help companies benchmark themselves relative to the industry in terms of their IFRS 17 preparations.

IFRS 17 and LICAT Consultation Processes

Q.11 How would you assess the consultative process (both public and directed) that OSFI followed in updating the LICAT Guideline for the new IFRS 17 standard, (e.g. means by which insurance companies could provide feedback, timing for feedback, timing of OSFI's responses)?

Q.13 Other than the feedback you provided in Q.11, how would you assess the consultative processes OSFI followed to date for IFRS 17 related changes? (e.g. means by which insurance companies could provide feedback, timing for feedback, timing of OSFI's responses)?

Overview

- With regard to the overall IFRS-related consultative process (Q13), almost all participants said OSFI has done a good job.
- With regard to the LICAT consultative process specifically (Q12), the majority were satisfied, but recent proposals by OSFI triggered strong dissatisfaction among some companies – primarily some large insurance companies. Up to this recent point in time, these participants were largely satisfied with the LICAT consultative process. Aside from disagreeing with the recent proposals, the issues from a consultative perspective were that (a) the OSFI proposals were unexpected based on interactions with OSFI up to that point in time, and (b) the participants did not feel there was sufficient consideration of their input.

Widely perceived positive features of OSFI's consultative processes both for LICAT and IFRS 17 generally, include:

- Good engagement with the industry in terms of providing multiple opportunities to provide input throughout the consultative process.
- As noted in the previous section, OSFI clearly communicated the changes introduced in the Draft LICAT Guideline.
- There was good pacing of the process both in terms of time allowed for industry responses and OSFI's responses to the industry. OSFI laid out clear timelines, and followed those timelines.

Some participants did say they wished the process had started earlier or gone a bit faster, in order that LICAT 2023 could have been finalized sooner and thereby allowed more time for companies to prepare for implementation in January 2023. This is particularly an issue if it turns out there are significant changes to a company's capital reserve requirements.

- OSFI is perceived to have done a good job of assessing the readiness of companies by means of progress reporting and the quizzes (QIS – quantitative impact study).

Several participants commented, though, that sometimes accurate data to respond to the quizzes was not available, and compiling responses was challenging. That said, a few also commented that OSFI understood and accepted that responses might not be perfectly accurate.

The one element of the consultative process that triggered significant dissatisfaction among some companies – primarily some large insurers – was some recent draft guidance from OSFI issued evidently in late March 2022 (after fieldwork had started for this research project). Several of these

participants commented that if they had been interviewed prior to this event, their overall assessment of the LICAT consultative process would have been positive.

In general terms, what happened with this proposed guidance was:

- The proposed guidance was significantly different from what the participants had been expecting based on interactions with OSFI to that point. As some put it, while one may not agree with the outcome of a consultation (and they didn't agree), the outcome should not come as a big surprise – and in this case it was a big surprise.

Context: We do not know the details of this recent proposed guidance from OSFI, but as it was explained to us, one significant issue was a method for achieving capital neutrality. Up until OSFI released its proposal, there had been extensive work and discussions on several possible tools that could be used for this purpose. Participants said their understanding from interactions with OSFI was that likely some combination of these tools would be used. However, what OSFI subsequently proposed was to use just one of these tools – referred to as a “scalar.”

Moreover they said the scalar was set to achieve capital neutrality based on OSFI's expectation of the specific economic environment that will be in effect in January 2023 when LICAT is to be implemented – namely, continued high inflation and therefore higher interest rates. Higher interest rates lead to higher capital reserve requirements for insurance companies.

However, participants said the use of only the scalar tool– or, the “blunt scalar” as several referred to it – is overly ad hoc, and does not provide the flexibility to adapt to changing economic circumstances – such as if interest rates decline at some point. By contrast, they felt that using some combination of the tools that industry and OSFI had been discussing and working on would have provided flexibility to adapt to changing economic circumstances.

- Participants felt that OSFI had not adequately considered the work and input of the industry on this subject. There was a perception among some that OSFI was more just going through the motions of consultation on these matters and not seriously considering the input received. Several also felt that OSFI did not adequately explain the rationale for its proposed approach.

Several participants noted that OSFI had indicated that its proposed guidance is only a proposal, and that industry would have the opportunity to provide further input. However, there was some skepticism as to whether OSFI is really actually open to changing the guidance.

One other consultation-related issue mentioned by several participants concerned the tax rules under IFRS 17. They suggested it would have been helpful if OSFI had somehow been involved in consultation on tax rules as part of the IFRS 17 consultation. Concern was expressed that (a) tax rules are still not fully finalized, and (b) a decision has been made not to allow a tax deduction for the CSM (contract service margin), and the participants felt OSFI should have been involved on that front given the financial impact on insurers.

Use of Combined Approach in QIS#3

Q.14 To further aid in understanding the impacts of IFRS 17 on life insurers, OSFI's Quantitative Impact Study QIS#3 (June 2021) combined questions from across key subject matter areas including: supervision, accounting, actuarial and capital. How would you assess the effectiveness of OSFI's new approach (in comparison to asking for this information individually in each of these areas)?

Almost all the participants who had some involvement in responding to QIS#3 favoured the new approach of combining questions across the key subject matter areas.

The primary reason for preferring the combined approach was that it facilitates a more integrated and holistic response:

- It encourages and facilitates the different areas in the company to work together. Although, some participants commented they already work this way, so for them there was little added value on this dimension.
- It helps the company to understand in a more holistic way the impacts of IFRS 17 on their business.

Some participants said the combined approach resulted in a more efficient response process, although some others said there was no impact on overall efficiency/time required.

Several participants thought the combined approach might be beneficial for OSFI as well, by giving OSFI a more integrated understanding of impacts on the company.

Other results:

- A few participants said they liked the staggered response timetable – evidently there were several stages of response, with about a month in between in each stage. It was helpful to distribute the workload in this fashion.
- There was a comment that on QIS#3 and other quizzes, the request for information says the responses should be both “best effort” and “high quality.” It can be unclear how to reconcile these two requests. It has led to internal disagreements on whether a “best effort” is good enough to meet the “high quality” standard. The suggestion was that emphasis should be more on “best effort” than on “high quality.”

Guideline E-4 Foreign Entities Operating in Canada on a Branch Basis

Q.16 [Asked only of foreign companies] Overall, how would you assess the consultative process OSFI followed regarding the revision of Guideline E-4 Foreign Entities Operating in Canada on a Branch Basis (e.g. means by which insurance companies could provide feedback, timing for feedback, timing of OSFI's response)?

The number of participants who represented foreign branches and who participated in the consultation was relatively small (n=5). All said the consultation process was good, and had no complaints about it.

One participant, who was a Chief Agent for multiple foreign branch insurance companies, said that although they act for multiple foreign branches as a Chief Agent, they were never proactively contacted by OSFI to contribute to the consultation, nor were their attempts at participating acknowledged by OSFI.

Guideline B-3 Sound Reinsurance Practices and Procedures

Q.17 Overall, how would you assess the consultative process OSFI followed regarding the revision of Guideline B-3 Sound Reinsurance Practices and Procedures (e.g. means by which insurance companies could provide feedback, timing for feedback, timing of OSFI's response)?

The majority of participants said they did not participate in the B-3 consultation. Among both these participants and the participants who did participate, a recurring comment was that reinsurance is not a major factor in their life insurance business. This appeared to result in less engagement in the consultative process from a direct life insurance perspective.

Some participants commented that B-3 is much more important to the P&C business than to the life insurance business. Although the focus in this project was on the life insurance side, one participant commented that while they had no concerns about the consultative process from a life insurance perspective, they did have concerns from a P&C perspective: they felt that OSFI did not have a good understanding of the P&C business. This suggests that a full assessment of OSFI's consultative process for B-3 will require input from P&C insurers, which is outside the scope of this project.

Among the participants who were involved in the B-3 consultation from a life insurance perspective, most said they were satisfied with the consultative process, and had no complaints.

OSFI's Supervision

Perceived Effectiveness of OSFI's Supervision

Q.18 Overall, how effective do you think OSFI is in supervising your company (e.g. ongoing monitoring, on-site reviews including supervisory recommendations, reporting requirements, etc.)?

Almost all participants were positive about the direct supervisory team, and most were very positive. Positive assessments included:

- Readily accessible
- Responsive to questions and requests
- Open dialogue – as one participant put it, “they’re always willing to talk about anything we put forward”
- Reasonable, pragmatic, constructive
- Understand the company

There was little in the way of less positive comments:

- Several participants said their company did not have much interaction with OSFI supervision, and so did not have an opinion one way or the other.
- A few participants said that they have experienced inconsistency across lead supervisors in terms of how guidance is applied.

At various points in the interviews, some participants commented on other teams in OSFI with which they have had some interaction.

- Some participants flagged concerns about certain staff in the capital division. They said there is some guidance coming from that division which they perceive to be overly complex and “theoretical”. A few referred to the staff involved as being more “junior”, and not having a good understanding of the practical realities of the business. Further there was a perception that few in OSFI – outside of the individuals writing the guidance – understand the guidance or its rationale. A few participants said that OSFI has “key person risk” because of this.

Note that these concerns were limited to a small number of staff in the capital division.

- A few participants were concerned that OSFI will have difficulty attracting people with strong skills to work on the cyber team, as they felt OSFI will have difficulty competing with industry in this regard.
- A few participants said that specialty teams are less likely to scale their requests to the nature, size or complexity of a business. The result can be requests or requirements that are not relevant to the business, or are unrealistic, or are overly onerous.

Supervision and the Nature, Size, Complexity and Risk Profile of LIs

Q.19 How would you assess OSFI on the extent to which its supervisory activities (e.g., ongoing monitoring, on-site reviews, reporting requirements, etc.) are scaled to reflect the nature, size, complexity and risk profile of your company?

Q.20 How would you assess OSFI on the extent to which its supervisory recommendations balance expectations of FRFI controls with the risks, and are scaled to reflect the nature, size and complexity and risk profile of your company?

Note that one question focusses on supervisory activities and the other on supervisory recommendations. Participants gave the same answers to both, so these are summarized together.

Almost all participants – in all size ranges – said OSFI’s direct supervisory team is good in terms of scaling supervisory activities and recommendations to risk profile, nature, size and complexity of their company. Some commented that where it may not be clear how guidance is to be scaled to their company, the supervisory team is helpful in this regard.

Among the small number of participants with concerns, these included:

- A few participants with companies in run-off felt the supervisory activities and recommendations were overly onerous relative to their risk profile. These same participants also said that in their experience there is inconsistency across different lead supervisors in how scaling of guidance is interpreted.
- A few participants said they have seen increasing use of “templates” by the supervisory team, rather than customizing to the specific business. The result is they are asked for things that are not relevant to the business. Note that this was more about supervisory activities than about supervisory recommendations.

Opportunity for Discussion Prior to OSFI Coming to a Conclusion

Q.21 How would you assess OSFI with respect to providing an opportunity for your institution to discuss issues of concern with OSFI prior to OSFI coming to a conclusion?

As described earlier in Q.18, there is a widespread positive assessment of members of the OSFI supervisory teams being good communicators, in several respects:

- Readily accessible
- Responsive to questions and requests
- Open and frank dialogue

Consistent with this, there is widespread positive assessment of OSFI providing an opportunity to discuss issues of concern prior to OSFI coming to a conclusion. As some noted, this does not mean OSFI will agree with the company, but there is ample opportunity for the company to present its case.

Some participants commented, though, they have found that the same opportunities for discussion do not always exist in the case of OSFI's specialty teams. A few suggested that part of the problem is that the specialty teams have a different chain of command, and that tends to result in escalation of issues to a quite senior level within OSFI.

Overall Knowledge of the Supervisory Team (lead supervisor, other members of the supervisory team and/or supervisory specialists)

Q.22 Have you had any dealings with your Supervisory team over the past 12 months? This may include, for example, your lead supervisor, other members of the supervisory team and/or supervisory specialists.

Q.23 How would you assess the overall knowledge level of your Supervisory team (e.g. knowledge of legislation; OSFI guidelines; regulatory policy and supervisory practices; life insurance sector issues and risks; your company)?

Aside from the EAs, who were less likely to have dealings with the supervisory team, almost all participants had dealings with their supervisory team in the past year.

Almost all participants gave an overall positive assessment of the knowledge level of the direct supervisory team. The supervisory team is perceived to be knowledgeable, and to bring in experts when necessary. Almost all say the direct supervisory team has a good understanding of their business – the exceptions were a few companies in run-off, and a company with a specialized product portfolio.

The concerns expressed were:

- Some participants said there is not good knowledge transfer from the direct supervisory team to the specialist teams. The result can be that the activities of specialist teams may not be appropriately scaled to the particular company.
- Several participants said their direct supervisory team does not have a good understanding of IFRS 17 and its implications for their business. In these cases the supervisor will bring in specialists as needed, but the participants would prefer greater expertise at the level of the direct supervisory team, because they are likely to better understand the company's business.

Suggestions for Improvements

Q.24 Thinking about your institution's interactions with your Supervisory team, what, if anything, do you believe needs to be improved?

About half of participants said they had no suggestions for improvement to the supervisory team – which reinforces the earlier finding that there is high satisfaction with OSFI's supervision.

Among those who had suggestions, the most common (about a quarter of all participants) involved encouraging closer working relationships between the direct supervisory team and other groups

within OSFI. The core idea is to leverage the strengths of the direct supervisory team. There were two dimensions to the suggestions:

- Improve information sharing between the direct supervisory team and the specialist teams, so that the activities and requests of the specialist team are better suited to each company. Currently, some believe there is little knowledge transfer. A few suggested that specialist groups should somehow work through or with the direct supervisory team, instead of operating independently – which is perceived to be the case now.
- Improve the degree of influence the direct supervisory team has on other stakeholders in OSFI.

Other suggestions included:

- As noted elsewhere, some participants perceive some staff in the capital division to be producing guidance that is overly complex and “theoretical”, and also questioned whether there was adequate understanding or oversight by more senior levels. One suggestion was to bring in external experts to essentially mediate and try to come to a common ground that meets both OSFI’s needs and the industry’s needs.
- Several participants suggested the direct supervisory team should become better informed about IFRS 17 so that they can play a bigger role in that area, rather than always referring everything to the specialist team.
- A few participants: Improve consistency across supervisors in terms of how they scale guidance to companies.
- A few participants: Do better at providing agendas for upcoming meetings so that the company can prepare to address information requests at the meeting.

Approvals

Processing of Applications for Regulatory Approval

Q.29 To the best of your knowledge, has your institution ever made a request for a regulatory approval from OSFI?

Q.30 Has your institution made a request for regulatory approval in the past 1-2 years?

Q.31 Overall, how satisfied are you with OSFI in processing applications from your institution?

The large majority of participants had been involved in requests for regulatory approval at some point in time, and somewhat over half had been involved in the past 1 to 2 years.

A large majority of those involved in the past 1 to 2 years were satisfied with the processing of their application: about half said there were no issues at all, and the rest said they were satisfied overall but the process was a bit slower than they would have liked.

A bit over half of the participants required both OSFI approval and Minister of Finance approval. Several noted that the OSFI approval process went well, but there was a delay in getting Ministerial approval. These participants were satisfied with OSFI's handling of the application, although one said OSFI could have been more proactive in keeping them informed about the status in the Minister's office.

The keys to satisfaction were (a) timely approval, and (b) the approval process goes mostly as expected. Among the relatively small minority dissatisfied with a request for regulatory approval in the past 1-2 years, the common feature was significant unexpected delays:

- Several participants said OSFI did not follow the timetable it said it would. A few said the issue appeared to be delays at a more senior level in OSFI, rather than the approvals team they were working with directly. In one case the participant said there was a staffing change on the approvals team, but information was not passed on to the new person and the company had to "repeat everything."
- One participant said OSFI never gave an estimate of time to approval, which the participant found frustrating because it suggested a lack of commitment on OSFI's part.

The implication is that managing expectations at the outset is very important for client satisfaction with the approvals process.

Communication of Information Required to Process Requests for Regulatory Approval

Q.32 How would you assess OSFI with respect to communicating its expectations as it relates to the information required in support of processing a request for a regulatory approval?

Among those involved in requesting a regulatory approval in the last 1-2 years, most said OSFI was clear in specifying the information required to process the application.

A small number said there were repeated requests for additional information, which they perceived to contribute to slowing the approval process. One suggestion was that OSFI should provide checklists of information requirements for common types of regulatory requests, which could then be supplemented with ad hoc requests as needed based on the specific circumstances.

Other Aspects Related to Applications for Regulatory Approval

Q.33 How well do you understand the basis on which OSFI makes decisions about your institution's applications?

Q.34 How would you assess OSFI with respect to responding to your institution's requests for updates on the status of applications?

Q.35 How would you assess OSFI with respect to providing an opportunity for your institution to discuss issues of concern with OSFI prior to OSFI coming to a conclusion?

All participants said they were satisfied that they understood the basis on which OSFI made its decision.

The majority of participants were satisfied with OSFI with respect to responding to requests for updates on the status of an application for regulatory approval. Some also commented positively on OSFI being proactive in occasionally reaching out to let them know the status of application processing.

All but one participant said they had an opportunity to discuss issues of concern prior to OSFI coming to a conclusion.

That said, a few noted the conclusion was not what they wanted and they did not feel OSFI was sufficiently open to considering their point of view. One suggested OSFI is overly "rigid" on matters for which there is little precedent. One thought the perceived lack of openness might be due to more senior levels of decision-making in OSFI, and a lack of "empowerment" at the approvals team level.

Communications with OSFI

Responsiveness to Questions on Final Guidance and to Other Enquiries

Q.25 Overall, how would you assess OSFI with respect to responding to questions your institution has brought forward concerning final OSFI guidance, including questions related to interpretation (e.g., consistency; clarity; timeliness)?

Q.26 Overall how would you assess OSFI with respect to responding to other enquiries your institution has brought forward (e.g., consistency; clarity; timeliness)?

Almost all participants said OSFI is good at responding to questions on final guidance and to other enquiries. OSFI is perceived to be accessible and responsive.

There were a few participants, however, who singled out issues with the capital division. They perceived some guidance coming from the division to be overly complex and “theoretical”, and did not feel they were able to get clear explanations of certain final guidance. Further, as noted elsewhere, a few also felt that few people in OSFI outside of a small number of people understand the guidance in these cases, and suggested OSFI has a “key person risk” should those individuals leave.

Written Correspondence

Q.27 Overall, how would you assess OSFI with respect to its written correspondence (e.g., clarity; timeliness; and, consistency between written and oral communications)?

Most participants were satisfied with the clarity and timeliness of OSFI’s written communication, and its consistency with prior verbal communication.

Several participants were generally satisfied but said in some instances:

- There was a mismatch between what they had been told previously and the final written communication. One participant phrased this as the prior verbal communication leaving out some “key details.”
- Final written supervisory recommendations are not issued on a timely basis. One participant attributed this to recent to possible disruption as a result of recent changes in senior management.

Written recommendations from the examination/compliance team are sometimes unclear, and it may be necessary to try to get clarification from the supervisory team.

Capacity to Interact in Official Language of Choice

Q.28 Thinking about your dealings with OSFI’s staff on any supervisory or regulatory matter, how satisfied are you with OSFI’s capacity to interact with you in the official language of your choice (i.e. English or French)?

28b) [If dissatisfied] In which areas are you dissatisfied (e.g. OSFI's capacity to speak, write or read materials in the official language of my choice)?

Note that for all of the institutions in the sample of potential participants provided by OSFI for this research project, the preferred official language was recorded as being English.

There were four participants located in Quebec. One opted to do the interview in English, and three opted to do the interview in French. The latter said they were also comfortable interacting in English, and none had concerns about interacting with OSFI in terms of language. One commented they actually prefer English when speaking with OSFI because they (the participant) were more comfortable with the English version of certain technical terms.

All of the interviews outside of Quebec were conducted in English, and all of the participants were satisfied with the capacity to interact with OSFI in their preferred language, which was English.

Other Participant Comments

Q.36 Are there any other comments or suggestions for improvements you would like to make concerning the issues raised today, or concerning any other issues you feel are relevant at this time?

A few participants said that in connection with departures of senior OSFI personnel and recent leadership changes, their sense is that there has been some “paralysis” in decision-making. The perceived result is slower decision-making and a loss of empowerment to make decisions at lower levels within OSFI. Their hope is that this is a temporary situation as the new leadership structure is implemented.

A number of participants said they appreciated that OSFI had undertaken this consultation to allow people to provide their clear and honest feedback in a confidential manner.

Appendix A: Invitation Letters

OSFI Letter

I am writing to invite you to participate in an important confidential study that is being conducted by Sage Research Corporation, an independent research firm, on behalf of the Office of the Superintendent of Financial Institutions (OSFI) with representatives of the life insurance companies we regulate and supervise. Since 1998, OSFI has commissioned consultations with senior members of the financial community to obtain their assessment of its effectiveness as a regulator and supervisor. The results of this consultation will help OSFI to improve its performance, which we believe will be of ultimate benefit to you and your organization.

Within the next week, a representative of Sage Research Corporation will contact you to arrange a suitable time for an interview of about one hour in length. Prior to the interview, we ask that you review the enclosed interview guide as it will form the basis of questions you will be asked. Please feel free to canvas your colleagues for their views to obtain a broader perspective, if you feel this would be helpful.

OSFI is committed to a confidential consultation process, which includes ensuring that the identities of those who participate are not disclosed to us. Although I have signed this letter personally, it has been addressed and sent to you by Sage Research Corporation. In addition, the report that OSFI will ultimately receive from Sage Research Corporation will include only summary form, non-attributable feedback. The findings from this consultation will be posted on OSFI's website in early fall 2022.

If you would like to discuss the study at any time during the process, please contact Anita Pollak, President, Sage Research Corporation at (905) 577-4040, ext. 3, or Laura Buckland, Manager, Communications Services at OSFI, at (613) 853-5791.

We hope we can count on your participation.

Sincerely,

Peter Routledge
Superintendent

Encl.

Life Insurance Sector Consultation (LISC) 2021-2022

La présente a pour but de vous inviter à prendre part à une importante étude confidentielle qui sera administrée par le cabinet Sage Research Corporation, une firme de recherche indépendante, pour le compte du Bureau du surintendant des institutions financières (BSIF) auprès de représentants de sociétés d'assurance-vie que nous réglementons et surveillons. Depuis 1998, le BSIF s'enquiert de l'opinion des dirigeants du secteur financier au sujet de son efficacité à titre d'organisme de réglementation et de surveillance. Les résultats de cette étude l'aideront mieux performer, ce qui, en fin de compte, sera bénéfique à votre organisme et à vous-même.

Dans quelques jours, un représentant du groupe Sage Research Corporation communiquera avec vous afin de prendre rendez-vous pour un entretien d'une heure. Avant la date convenue, nous vous demanderons de bien vouloir prendre connaissance du guide d'entrevue annexé à la présente, lequel a servi à l'élaboration des questions qui vous seront posées. Si vous le jugez bon, n'hésitez pas à demander l'opinion de vos collègues pour avoir une perspective plus vaste.

Le BSIF accorde une grande importance à la confidentialité du processus, ce qui exige notamment qu'il n'y ait aucun moyen pour nous de connaître l'identité des participants. Alors bien que cette lettre soit signée de ma main, je tiens à préciser qu'elle vous a été adressée et transmise par Sage Research Corporation. De plus, le rapport que nous recevrons de Sage Research Corporation ne contiendra que des résumés sommaires des réponses, lesquels ne pourront être associés à qui que ce soit. Les résultats de cet exercice seront publiés sur notre site Web en automne 2022.

Pour obtenir des précisions au sujet de cette étude à tout moment durant le processus, je vous invite à appeler M. Sylvain Laroche, associé principal, Sage Research Corporation au (514) 572-1489, ou Laura Buckland, gestionnaire, services de communication au BSIF, au (613) 853-5791.

En espérant pouvoir compter sur votre participation, je vous prie d'agréer, Madame, Monsieur, mes meilleures salutations.

Le surintendant,

Peter Routledge

p.j.

[Sage Research Corporation Cover Letter](#)

[Life Insurance Companies](#)

Re: OSFI's Consultation with Life Insurance Companies

Life Insurance Sector Consultation (LISC) 2021-2022

Sage Research Corporation has been commissioned by OSFI to conduct the 2022 consultation with Canada's life insurance companies.

As the accompanying letter from the Superintendent of Financial Institutions notes, we will contact you within the next week to arrange a suitable time for an interview. The interview will take approximately one hour. Prior to the interview, we would request that you review the enclosed interview guide, as it will form the basis for the interview.

Rest assured that the responses you provide during the interview will remain completely confidential. To preserve confidentiality, OSFI will receive a report that presents responses in summary form with no attribution to individuals or the institutions they represent. OSFI will not know what specific institutions have said about it, nor will it have access to interview notes or recordings. As part of OSFI's commitment to transparency and accountability, the findings from the research will be posted on OSFI's website.

We will request your permission to record the interview with you. The recordings will be available only to Sage Research Corporation's research team and used solely for the purpose of developing the final report. Once the report has been completed, the recordings will be destroyed. Should you prefer that the interview not be recorded, we will take only written notes.

If you would like to discuss this matter at any time during the process, please call me at 905-577-4040, ext. 3 or email me at anita.pollak@sageresearch.ca.

Sincerely,

Anita Pollak
President

Objet : Consultation du BSIF auprès des sociétés d'assurance-vie

Sage Research Corporation a été chargée par le BSIF de mener la consultation de 2022 auprès des sociétés d'assurance-vie canadiennes.

Comme l'indique la lettre de présentation du surintendant des institutions financières, nous communiquerons avec vous au cours de la prochaine semaine en vue d'une entrevue au moment qui vous conviendra. L'entrevue devrait durer environ une heure et, au préalable, nous vous demandons de lire le guide joint, qui servira de base à la discussion.

Soyez assuré(e) que tous vos propos recueillis pendant l'entrevue demeureront entièrement confidentiels. Le BSIF recevra un rapport qui présentera uniquement un sommaire des réponses sans en identifier les auteurs (personnes et institutions qu'elles représentent); la confidentialité sera ainsi préservée. Le BSIF ne saura pas non plus ce que des institutions précises ont dit à son sujet et n'aura pas accès aux notes ou aux enregistrements des entrevues. Les résultats de l'étude seront disponibles sur le site Web du BSIF pour respecter son engagement en matière de transparence et de responsabilité.

Nous vous demanderons sans doute la permission d'enregistrer l'entrevue. Seule l'équipe de recherche de Sage Research Corporation aura accès aux enregistrements, qui serviront uniquement à la rédaction du rapport final. Une fois celui-ci terminé, les enregistrements seront effacés. Si vous préférez que l'entrevue ne soit pas enregistrée, l'intervieweur ne prendra que des notes manuscrites.

Life Insurance Sector Consultation (LISC) 2021-2022

Si à tout moment pendant le déroulement de l'étude vous désirez en discuter, n'hésitez pas à communiquer avec moi au 514-572-1489 ou à l'adresse sylvainlaroche@videotron.ca

Cordialement,

Sylvain Laroche
Associé principal

External Actuaries

Re: OSFI's Consultation with Life Insurance Companies

Sage Research Corporation has been commissioned by OSFI to conduct the 2022 consultation with Canada's life insurance companies.

As the accompanying letter from the Superintendent of Financial Institutions notes, we will contact you within the next week to arrange a suitable time for an interview. The interview will take approximately one hour. Prior to the interview, we would request that you review the enclosed interview guide, as it will form the basis for the interview. You are shown as being the external actuary for [Name of LI]. For your assessment of OSFI's effectiveness, we would like you to particularly focus on this company.

Rest assured that the responses you provide during the interview will remain completely confidential. To preserve confidentiality, OSFI will receive a report that presents responses in summary form with no attribution to individuals or the institutions they represent. OSFI will not know what specific institutions have said about it, nor will it have access to interview notes or recordings. As part of OSFI's commitment to transparency and accountability, the findings from the research will be posted on OSFI's website.

We will request your permission to record the interview with you. The recordings will be available only to Sage Research Corporation's research team and used solely for the purpose of developing the final report. Once the report has been completed, the recordings will be destroyed. Should you prefer that the interview not be recorded, we will take only written notes.

If you would like to discuss this matter at any time during the process, please call me at 905-577-4040, ext. 3 or email me at anita.pollak@sageresearch.ca.

Sincerely,

Anita Pollak
President

Objet : Consultation du BSIF auprès des sociétés d'assurance-vie

Sage Research Corporation a été chargée par le BSIF de mener la consultation de 2022 auprès des sociétés d'assurance-vie canadiennes.

Life Insurance Sector Consultation (LISC) 2021-2022

Comme l'indique la lettre de présentation du surintendant des institutions financières, nous communiquerons avec vous au cours de la prochaine semaine en vue d'une entrevue au moment qui vous conviendra. L'entrevue devrait durer environ une heure et, au préalable, nous vous demandons de lire le guide joint, qui servira de base à la discussion. Vous êtes l'actuaire externe attiré de la [nom de la société]. Nous vous demandons d'évaluer l'efficacité du BSIF en vous concentrant particulièrement sur cette société.

Soyez assuré(e) que tous vos propos recueillis pendant l'entrevue demeureront entièrement confidentiels. Le BSIF recevra un rapport qui présentera uniquement un sommaire des réponses sans en identifier les auteurs (personnes et institutions qu'elles représentent); la confidentialité sera ainsi préservée. Le BSIF ne saura pas non plus ce que des institutions précises ont dit à son sujet et n'aura pas accès aux notes ou aux enregistrements des entrevues. Les résultats de l'étude seront disponibles sur le site Web du BSIF pour respecter son engagement en matière de transparence et de responsabilité.

Nous vous demanderons sans doute la permission d'enregistrer l'entrevue. Seule l'équipe de recherche de Sage Research Corporation aura accès aux enregistrements, qui serviront uniquement à la rédaction du rapport final. Une fois celui-ci terminé, les enregistrements seront effacés. Si vous préférez que l'entrevue ne soit pas enregistrée, l'intervieweur ne prendra que des notes manuscrites.

Si à tout moment pendant le déroulement de l'étude vous désirez en discuter, n'hésitez pas à communiquer avec moi au 514-572-1489 ou à l'adresse sylvainlaroche@videotron.ca

Cordialement,

Sylvain Laroche
Associé principal

Appendix B: Interview Guide

Introduction

Sage Research Corporation has been retained by the Office of the Superintendent of Financial Institutions (OSFI) to conduct this consultation with senior executives of federally regulated life insurance companies.

Since 1998, OSFI has commissioned consultations with senior members of the financial community and their professional advisors to obtain their assessment of its effectiveness as a supervisor and regulator. OSFI is committed to monitoring how well it is achieving its strategic objectives, both to be accountable to stakeholders and to help improve effectiveness. It is for these reasons that we are asking your company to participate in this research.

You can be assured that *Sage Research Corporation*, as an independent third party, will hold your comments in strict confidence. Your answers will remain anonymous. OSFI will not know who was interviewed or what specific institutions have said about it.

As a standard industry practice, *Sage Research Corporation* has put in place secure communication and usage procedures to ensure that confidentiality is maintained at all times.

***Sage Research Corporation* will provide OSFI with a full report aggregating the findings from this consultation.**

The discussion is divided into the following six parts:

- Part 1 – Overall Impressions
- Part 2 – Guidance
- Part 3 – Supervision
- Part 4 – Communications with OSFI
- Part 5 – Approvals
- Part 6 – Final comments

OSFI's role and mandate

OSFI's mandate is to:

- Ensure that federally regulated financial institutions are financially sound, and are complying with their governing law and OSFI's requirements;

- Promptly take action or advise institutions to take prompt corrective action when material deficiencies have been identified;
- Build and maintain a regulatory framework that promotes the adoption of policies and procedures meant to control and manage risk;
- Monitor and evaluate system-wide or sectoral issues that may impact institutions negatively.

OSFI regulates by developing rules, interpreting legislation and regulations and providing regulatory approvals for certain types of transactions. It also contributes to new accounting, auditing and actuarial standards. All of this must balance the goals of safety and soundness with the need for institutions to operate within a competitive marketplace.

OSFI supervises by analyzing financial and economic trends to identify emerging issues that could adversely affect institutions. It assesses an institution's financial condition, material risks and the quality of its governance, risk management and compliance. When weaknesses are identified, OSFI intervenes early and works with executive management and boards to correct matters.

Part 1 - Overall Impressions

1. Overall, how satisfied are you with OSFI as the principal prudential regulator and supervisor of Canada's financial services industry?
2. How would you assess OSFI on the extent to which it focuses on the appropriate areas of risk in the life insurance sector?
3. How would you assess OSFI with respect to how proactive it is in responding to emerging issues pertaining to the life insurance sector?
4. What one or two risk areas do you believe should be priorities for OSFI in the next couple of years pertaining to the life insurance sector?
5. What one or two things does OSFI need to improve upon as a regulator and supervisor?

Part 2 – Guidance

From time to time, OSFI develops Guidance (which may include guidelines and advisories) for institutions in the life insurance sector.

6. How would you assess OSFI with respect to responding in a timely manner to market developments or to industry suggestions that guidance needs updating?

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7. How would you assess OSFI's response to the evolving cyber threat landscape and changing technology with respect to life insurance companies?
8. How would you assess OSFI with respect to developing guidance that strikes an appropriate balance between prudential considerations and the need for life insurance companies to compete?
9. Overall, how effective do you think OSFI's guidance is in providing a clear indication of OSFI's expectations?
10. [ASK ONLY OF SMALL & MEDIUM COMPANIES] How would you assess OSFI's guidance on the extent to which it considers the nature, size and complexity of life insurance companies?

The following series of questions focus on several different work streams related to guidance that OSFI has issued in the last two years.

The next set of questions (11-15) focus specifically on activities and guidance relating to International Financial Reporting Standard 17 – Insurance Contracts (IFRS 17) changes and implementation matters. The move to IFRS 17, which is replacing IFRS 4, is a significant undertaking for the industry and OSFI, who have been working together with other Canadian regulators to support a robust implementation of IFRS 17.

Questions 11 and 12 focus on changes to OSFI's capital guidelines. In the summer of 2021 OSFI issued a revised draft LICAT 2023 Guideline, key changes to this Guideline include:

- Adapting the test for *IFRS 17 - Insurance Contracts*, in a manner that maintains the capital framework consistent with current capital policies.
- Updating the test for *IFRS 9 - Financial Instruments*.

11. How would you assess the consultative process (both public and directed) that OSFI followed in updating the LICAT Guideline for the new IFRS 17 standard, (e.g. means by which insurance companies could provide feedback, timing for feedback, timing of OSFI's responses)?
12. How would you assess OSFI with respect to communicating the changes introduced in the Draft LICAT 2023 Guideline (e.g. through industry wide information sessions, seminars, meetings, etc.)?

Questions 13 to 15 relate more generally to IFRS 17 implementation matters. In May 2018, OSFI issued its Advisory IFRS 17 Transition and Progress Reporting Requirements for Federally Regulated Insurers (The IFRS 17 Advisory).

13. Other than the feedback you provided in question 11, how would you assess the consultative process OSFI has followed to date for all IFRS 17 related changes? (e.g. means by which insurance companies could provide feedback, timing for feedback, timing of OSFI's response)?
14. To further aid in understanding the impacts of IFRS 17 on Life Insurers, OSFI's Quantitative Impact Study - QIS#3 (June 2021) combined questions from across key subject matter areas

Life Insurance Sector Consultation (LISC) 2021-2022

including: supervision, accounting, actuarial and capital. How would you assess the effectiveness of OSFI's new approach (in comparison to asking for this information individually in each of these areas)?

15. How would you assess the communication of OSFI's accounting policy positions and progress reporting requirements?

The following question focuses specifically on activities relating to *Guideline E-4 Foreign Entities Operating in Canada on a Branch Basis* (published in July 2021)

16. [ASK ONLY OF FOREIGN COMPANIES] Overall, how would you assess the consultative process OSFI followed regarding the revision of Guideline E-4 Foreign Entities Operating in Canada on a Branch Basis? (e.g. means by which insurance companies could provide feedback, timing for feedback, timing of OSFI's response)?

The following question focuses specifically on activities relating to *Guideline B-3 Sound Reinsurance Practices and Procedures* (published in February 2022)

17. Overall, how would you assess the consultative process OSFI followed regarding the revision of Guideline B-3 Sound Reinsurance Practices and Procedures? (e.g. means by which insurance companies could provide feedback, timing for feedback, timing of OSFI's response)?

Part 3 – Supervision

The following questions pertain to OSFI's supervision as it relates to your company.

18. Overall, how effective do you think OSFI is in supervising your company (e.g. ongoing monitoring, on-site reviews including supervisory recommendations, reporting requirements, etc.)?
19. How would you assess OSFI on the extent to which its supervisory activities (e.g., ongoing monitoring, on-site reviews, reporting requirements, etc.) are scaled to reflect the nature, size, complexity and risk profile of your company?
20. How would you assess OSFI on the extent to which its supervisory recommendations balance expectations of FRFI controls with the risks, and are scaled to reflect the nature, size and complexity of your company?
21. How would you assess OSFI with respect to providing an opportunity for your institution to discuss issues of concern with OSFI prior to OSFI coming to a conclusion?
22. Have you had any dealings with your supervisory team over the past 12 months? This may include, for example, your lead supervisor, other members of the supervisory team and/or supervisory specialists.

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- Yes, have had dealings with supervisory team
- No, have not had any dealings with supervisory team (If you have not dealt with your supervisory team in the past 12 months, please skip to Q.25)

22b. [If not dealt with supervisory team in past 12 months] Why not?

23. How would you assess the overall knowledge level of your supervisory team (e.g. knowledge of legislation; OSFI guidelines; regulatory policy and supervisory practices; life insurance sector issues and risks; your company)?

24. Thinking about your company's interactions with your supervisory team, what, if anything, do you believe needs to be improved?

Part 4 – Communications with OSFI

25. Overall, how would you assess OSFI with respect to responding to questions your company has brought forward concerning final OSFI guidance, including questions related to interpretation (e.g. consistency; clarity; timeliness)?

26. Overall how would you assess OSFI with respect to responding to *other* enquiries your company has brought forward (e.g. consistency; clarity; timeliness)?

27. Overall, how would you assess OSFI with respect to its written correspondence (e.g. clarity; timeliness; and, consistency between written and oral communications)?

28. Thinking about your dealings with OSFI's staff on any supervisory or regulatory matter, how satisfied are you with OSFI's capacity to interact with you in the official language of your choice (i.e. English or French)?

28b. [If dissatisfied] In which areas are you dissatisfied (e.g. OSFI's capacity to speak, write or read materials in the official language of my choice)?

Part 5 – Approvals

As you know, OSFI's Superintendent, and in some cases, the Minister of Finance, must approve certain transactions or initiatives which companies in the life insurance sector wish to undertake. The following questions pertain to OSFI's approval process as it relates to your company.

29. To the best of your knowledge, has your company ever made a request for a regulatory approval from OSFI?

- Yes
- No (If no, go to question 36)

30. Has your institution made a request for a regulatory approval in the past 1-2 years?

- Yes
- No (If no, go to question 36)

30b. Was/were the requests for ...?

- Superintendent approvals
- Ministerial approvals
- Both

Thinking about request(s) for a regulatory approval your institution has submitted in the past 1-2 years.....

31. Overall, how satisfied are you with OSFI in processing applications from your company?

32. How would you assess OSFI with respect to communicating its expectations as it relates to the information required in support of processing a request for a regulatory approval?

33. How well do you understand the basis on which OSFI makes decisions about your company's applications?

34. How would you assess OSFI with respect to responding to your institution's requests for updates on the status of applications?

35. How would you assess OSFI with respect to providing an opportunity for your company to discuss issues of concern with OSFI prior to OSFI coming to a conclusion?

Part 6 – Final Comments

36. Are there any other comments or suggestions for improvements you would like to make concerning the issues raised today, or concerning any other issues you feel are particularly relevant at this time?

On behalf of OSFI, Sage Research Corporation would like to thank you for your participation.

Introduction

Le Bureau du surintendant des institutions financières (BSIF) a chargé le cabinet *Sage Research Corporation* de réaliser le présent exercice de consultation auprès de cadres de direction sociétés d'assurance vie fédérales.

Depuis 1998, le BSIF commande des consultations auprès de dirigeants des milieux financiers et de leurs conseillers professionnels pour s'enquérir de leur opinion au sujet de sa prestation à titre d'organisme de réglementation et de surveillance. Le BSIF s'est engagé à faire le point sur son rendement par rapport à ses objectifs stratégiques de manière à pouvoir en rendre compte à l'ensemble de ses interlocuteurs et à accroître son efficacité. Voilà pourquoi nous sollicitons la participation de votre société.

À titre de tierce partie indépendante, *Sage Research Corporation* s'est engagé à traiter vos réponses de façon strictement confidentielle. L'identité des répondants ne sera pas dévoilée au BSIF et celui-ci ne pourra associer aucune réponse à une institution précise.

Conformément aux normes de pratique professionnelles du secteur des enquêtes d'opinion, *Sage Research Corporation* a mis en place un système de communication sécurisé et des procédures d'utilisation visant à garantir en tout temps la confidentialité de l'information transmise.

***Sage Research Corporation* rendra compte au BSIF des résultats de cet exercice de consultation sous forme de rapport complet.**

La discussion est divisée en six parties :

- Partie 1 – Impressions globales
- Partie 2 – Consignes
- Partie 3 – Surveillance
- Partie 4 – Communications avec le BSIF
- Partie 5 – Agréments
- Partie 6 – Observations finales

Rôle et mandat du BSIF

Les objectifs du BSIF sont les suivants :

- veiller à ce que les institutions financières soient en bonne santé financière et qu'ils se conforment aux lois qui les régissent et aux exigences de surveillance du BSIF;
- lorsque des lacunes importantes sont constatées, prendre des mesures correctives sans attendre ou obliger les institutions à le faire;
- mettre en place un cadre de réglementation incitant à l'adoption de politiques et de procédures destinées à contrôler et à gérer le risque et le tenir à jour;

- surveiller et évaluer les questions systémiques ou sectorielles qui pourraient avoir des répercussions négatives sur les institutions.

Pour exercer ses activités de réglementation, le BSIF élabore des règles, interprète des lois et des règlements et assure l'agrément de certains types d'opérations. Il contribue en outre aux nouvelles normes comptables, actuarielles et d'audit. Tout cela doit concilier les objectifs de sûreté et de solidité avec l'obligation qu'ont les institutions d'exercer leurs activités sur un marché concurrentiel.

Pour exercer ses activités de surveillance, le BSIF analyse les tendances financières et économiques pour cerner les questions émergentes qui pourraient avoir une incidence négative sur les institutions. Il évalue la situation financière d'une institution, les risques importants qui pèsent sur elle, de même que la qualité de ses pratiques de gouvernance, de gestion du risque et de conformité. Lorsqu'une faiblesse est mise au jour, le BSIF intervient rapidement et travaille avec les cadres supérieurs et les membres du conseil d'administration afin de corriger la situation.

Partie 1 – Impressions globales

1. Dans l'ensemble, quel est votre degré de satisfaction à l'égard de la prestation du BSIF en qualité de principal organisme de réglementation et de surveillance prudentielle du secteur canadien des services financiers?
2. Que pensez-vous de la prestation du BSIF pour ce qui est de faire porter ses efforts sur les domaines à risque pertinents du secteur de l'assurance vie?
3. Que pensez-vous de la proactivité dont le BSIF fait preuve face aux nouveaux enjeux dans le secteur de l'assurance vie?
4. En un point ou deux, quels domaines à risque devraient constituer une priorité pour le BSIF ces prochaines années dans le secteur de l'assurance vie?
5. En un point ou deux, quelles améliorations le BSIF pourrait-il apporter à sa prestation en qualité d'organisme de surveillance et de réglementation?

Partie 2 – Consignes

Le BSIF émet des consignes ponctuelles et périodiques (sous forme de lignes directrices et de préavis) à l'intention des sociétés d'assurance vie.

6. Que pensez-vous du temps que met le BSIF à réagir aux questions émergentes, aux changements qui se produisent sur les marchés et aux suggestions de ses interlocuteurs concernant l'élaboration ou la mise à jour de ses consignes?

7. Que pensez-vous des efforts déployés par le BSIF pour soutenir les sociétés d'assurance vie dans leur préparation à l'égard de l'évolution des cyberrisques et des technologies?
8. Que pensez-vous de la prestation du BSIF en ce qui a trait à l'élaboration de consignes qui tiennent à la fois compte des facteurs de nature prudentielle et de la nécessité, pour les institutions financières, de faire face à la concurrence?
9. Dans l'ensemble, selon vous, dans quelle mesure les consignes du BSIF traduisent-elles clairement ses attentes?
10. [DEMANDEZ UNIQUEMENT AUX PETITES ET MOYENNES ENTREPRISES] Que pensez-vous de la prestation du BSIF en ce qui a trait à la mesure dans laquelle ses consignes tiennent compte de la nature et de la taille des sociétés d'assurance vie et de la complexité de leurs activités?

Les prochaines questions portent sur différents volets de travail se rapportant aux consignes que le BSIF a diffusées au cours des deux dernières années.

Les questions suivantes (11-15) portent expressément sur les activités et les consignes visant les changements et la mise en œuvre de la norme internationale d'information financière Contrats d'assurance (IFRS 17). Le passage à l'IFRS 17, qui remplace l'IFRS 14, est une initiative d'envergure pour le BSIF et pour le secteur financier. Ceux-ci collaborent avec d'autres organismes de réglementation pour permettre une solide mise en œuvre de l'IFRS 17.

Les questions 11 et 12 portent expressément sur les consignes du BSIF en matière de capital. À l'été 2021, le BSIF a publié une version révisée à l'étude de la *ligne directrice TSAV 2023*. Parmi les principaux changements apportés à la ligne directrice figurent :

- l'adaptation du test à l'IFRS 17, *Contrats d'assurance*, de manière à préserver les cadres de capital conformes aux politiques actuelles sur le capital;
- l'actualisation du test à l'IFRS 9, *Instruments financiers*.

11. Que pensez-vous du processus consultatif (public et ciblé) du BSIF en ce qui a trait à l'adaptation de la ligne directrice TSAV pour l'arrimer à la nouvelle IFRS 17 (p. ex., les moyens par lesquels les sociétés d'assurance vie ont pu faire part de leurs commentaires, les échéanciers pour le faire et le temps qu'a mis le BSIF à répondre aux commentaires)?
12. Que pensez-vous de la prestation du BSIF en ce qui a trait à la diffusion des changements apportés à la version à l'étude de la ligne directrice TSAV de 2023 (p. ex., par l'entremise de séances d'information de tous les secteurs, colloques, réunions, etc.)?

Les questions 13 à 15 portent sur la mise en œuvre de l'IFRS 17 en général. En mai 2018, le BSIF a diffusé le préavis sur la transition à l'IFRS 17 et la production de rapports d'étape afférents pour les assureurs fédéraux.

13. Outre la rétroaction fournie à la question 11, dans quelle mesure êtes-vous satisfait du processus de consultation appliqué par le BSIF jusqu'à maintenant dans le cadre des

changements afférents à l'IFRS 17 (par ex., les moyens pour les sociétés d'assurance de faire part de leurs commentaires, les échéanciers pour le faire et le temps qu'a mis le BSIF à répondre aux commentaires)?

14. Afin de mieux comprendre les répercussions de l'IFRS 17 sur les sociétés d'assurance vie, le BSIF a procédé à une étude d'impact quantitative (EIQ no 3) en juin 2021. Cette étude regroupait les questions de tous les domaines d'expertise, notamment la surveillance, la comptabilité, l'actuariat et le capital. Dans quelle mesure jugez-vous efficace la nouvelle approche du BSIF (par rapport aux études compartimentées)?
15. Que pensez-vous de l'information que le BSIF communique à propos de ses positions à l'égard des méthodes comptables et des exigences relatives aux rapports d'étape?

La question suivante porte expressément sur les activités liées à la ligne directrice E 4, *Entités étrangères exploitant une succursale au Canada*, publiée en juillet 2021.

16. [DEMANDEZ UNIQUEMENT AUX ENTREPRISES ÉTRANGÈRES] Dans l'ensemble, dans quelle mesure êtes-vous satisfait du processus de consultation qu'a appliqué le BSIF en ce qui a trait à la révision de la ligne directrice ligne directrice E 4, *Entités étrangères exploitant une succursale au Canada* (par ex., les moyens pour les sociétés d'assurance de faire part de leurs commentaires, les échéanciers pour le faire et le temps qu'a mis le BSIF à répondre aux commentaires)?

La question suivante porte expressément sur les activités liées à la ligne directrice B-3, *Saines pratiques et procédures de réassurance*, publiée en février 2022.

17. Dans l'ensemble, dans quelle mesure êtes-vous satisfait du processus de consultation qu'a appliqué le BSIF en ce qui a trait à la révision de la ligne directrice B-3, *Saines pratiques et procédures de réassurance* (par ex., les moyens pour les sociétés d'assurance de faire part de leurs commentaires, les échéanciers pour le faire et le temps qu'a mis le BSIF à répondre aux commentaires)?

Partie 3 – Surveillance

Les questions qui suivent portent sur la surveillance que le BSIF exerce à l'égard de votre société.

18. Dans l'ensemble, dans quelle mesure estimez-vous que la surveillance (p. ex., suivi régulier, examens sur place y compris recommandations des surveillants et informations exigées) que le BSIF exerce à l'égard de votre société est efficace?
19. Que pensez-vous de la prestation du BSIF en ce qui a trait à la mesure dans laquelle il tient compte de la nature et de la taille de votre société, de la complexité de ses activités et de son

profil de risque lorsqu'il exerce ses fonctions de surveillance (p. ex., suivi régulier, examens sur place et informations exigées)?

20. Que pensez-vous de la prestation du BSIF en ce qui a trait à la mesure dans laquelle il concilie dans ses recommandations de surveillance les mécanismes de contrôle et les risques des IFF et qu'il tient compte de la nature et de la taille de votre institution, de même que de la complexité de ses activités et de son profil de risque?
21. Que pensez-vous de la prestation du BSIF pour ce qui est d'offrir à votre société la possibilité de discuter de ses préoccupations avec lui avant qu'il tire une conclusion?
22. Avez-vous eu des rapports avec l'équipe de surveillance de votre institution financière au cours des 12 derniers mois, par exemple le chargé de surveillance, d'autres membres de l'équipe de surveillance et/ou des spécialistes de la surveillance?
 - Oui, j'ai eu des rapports avec l'équipe de surveillance.
 - Non, je n'ai eu aucun rapport avec l'équipe de surveillance (Si vous n'avez eu aucun rapport avec l'équipe de surveillance au cours de 12 derniers mois, veuillez passer à la question 25)
- 22b. [Si aucun rapport avec l'équipe de surveillance au cours de 12 derniers mois] Pourquoi?
23. Que pensez-vous de la prestation du chargé de surveillance de votre société en ce qui a trait à l'étendue de ses connaissances (p. ex., connaissance des mesures législatives, des lignes directrices du BSIF, des mesures de réglementation et de surveillance, des questions et des risques propres au secteur des sociétés d'assurance vie et de votre société)?
24. Selon vous, quelles améliorations y aurait-il lieu d'apporter aux rapports que l'équipe de surveillance entretient avec votre société, s'il y a lieu?

Partie 4 – Communications avec le BSIF

25. Que pensez-vous de la prestation du BSIF pour ce qui est de répondre aux questions de votre société au sujet de la version définitive des consignes, notamment aux questions d'interprétation (p. ex., uniformité, clarté et ponctualité)?
26. Que pensez-vous de la prestation du BSIF pour ce qui est de répondre aux autres questions de votre société (p. ex., uniformité, clarté et ponctualité)?
27. Que pensez-vous de la prestation du BSIF en ce qui a trait à la correspondance écrite (p. ex., clarté, ponctualité et uniformité des communications écrites et orales)?
28. En songeant aux rapports que vous avez eus avec le personnel du BSIF au sujet de questions de surveillance ou de réglementation, quel est votre degré de satisfaction à l'égard de la capacité de son personnel de s'entretenir avec vous dans la langue officielle de votre choix (c'est-à-dire en anglais ou en français)?

- 28b) [Si insatisfait] À quels égards êtes-vous insatisfait de la prestation du BSIF (p. ex., capacité de s'exprimer oralement ou par écrit, ou de lire des documents dans la langue officielle de votre choix)?

Partie 5 – Agréments

Comme vous le savez, le surintendant des institutions financières et, dans certains cas, le ministre des Finances, doit approuver certaines opérations ou mesures que les sociétés du secteur de l'assurance vie souhaitent réaliser. Les questions qui suivent portent sur le processus d'agrément du BSIF à l'égard de votre société.

29. À votre connaissance, votre institution a-t-elle déjà présenté une demande d'agrément réglementaire au BSIF?
- Oui
 - Non (Si la réponse est non, veuillez passer à la question 36.)
30. Votre institution a-t-elle présenté une demande d'agrément réglementaire au cours des 12 ou 24 derniers mois?
- Oui
 - Non (Si la réponse est non, veuillez passer à la question 36.)
- 30b. Si oui, la ou les demande(s) avaient pour but d'obtenir ...?
- Agrément du surintendant
 - Agrément du ministre
 - des deux

En ce qui a trait aux demandes d'agrément réglementaire que votre société a produites au cours des deux dernières années...

31. Dans l'ensemble, quel est votre degré de satisfaction à l'égard de la façon dont le BSIF traite les demandes de votre société?
32. Que pensez-vous de la prestation du BSIF en ce qui a trait à la communication de ses attentes concernant l'information dont il a besoin pour traiter une demande d'agrément réglementaire?
33. Dans quelle mesure comprenez-vous le fondement des décisions du BSIF au sujet des demandes d'agrément que votre société a soumises?
34. Que pensez-vous de la prestation du BSIF pour ce qui est de répondre aux questions que lui adresse votre société concernant l'état de ses demandes?

35. Que pensez-vous de la prestation du BSIF pour ce qui est d'offrir à votre société la possibilité de discuter de ses préoccupations avec lui concernant une demande d'agrément avant qu'il tire une conclusion?

Partie 6 – Observations finales

36. Avez-vous d'autres remarques ou suggestions d'amélioration à faire au sujet des points dont il a été question aujourd'hui, ou de toute autre question que vous jugez particulièrement pertinente actuellement?

Au nom du BSIF, *Sage Research Corporation* vous remercie de votre participation.