APPENDIX

FICOM's Variations from OSFI *Guideline E-15*

OSFI's *Guideline E-15* sets out expectations with regards to the role of the Appointed Actuary (AA) in authorized insurers. The guideline is divided into the following three sections:

<u>Section 1</u>: Legal Requirements of the Appointed Actuary

<u>Section 2</u>: Qualifications Required

<u>Section 3</u>: Peer Review of the Work of the Actuary

> In 2013, the *Financial Institutions Act* (FIA) was amended to add Division 2.1 to Part 4, which details the legislated requirements for the appointment and use of actuaries. Many of the requirements set out in sections 1 and 2 of OSFI's *Guideline E-15* are similar to those set out in Division 2.1. This document sets out the material differences between *Guideline E-15* and FICOM's expectations regarding these differences.

For the purposes of interpreting *Guideline E-15*, all references to "the Superintendent" or "OSFI" in the guideline are assumed to refer to FICOM unless citing specific OSFI guidance or other publications. Additionally, all requirements that apply to insurance companies are assumed to refer also to reciprocal exchanges where applicable.

FICOM VARIATIONS FROM *GUIDELINE E-15*

Set out below are the variations that FICOM has made in the adoption of OSFI *Guideline E-15*.

Section 1

Section 1 sets out OSFI's expectations regarding the legal requirements of the AA. FICOM does not propose any variance from section 1.

Section 2

Section 2 sets out OSFI's expectations regarding AA qualifications.

- FICOM believes that in selecting an AA the audit committee should take into consideration the qualifications listed by OSFI in this guideline in addition to the candidate being a fellow in good standing of the Canadian Institute of Actuaries.

Section 3

Section 3 sets out OSFI's expectations for peer review. Peer review is not a requirement under the FIA; however, FICOM believes that peer review provides significant benefit to the AA, the insurance company or reciprocal exchange, and FICOM.

- Under 3(g), "Peer Review Cycle", FICOM expects any material changes (i.e., those listed in 3(c)(2)) that affect the valuation of policy liabilities or ceded reinsurance assets to be reviewed and reported on annually.
    - FICOM will not require an annual report where there have been no material changes as noted above. However, even where no material changes have occurred, directors of an insurance company or advisory committees of a reciprocal exchange should consider annually whether a limited annual review would be beneficial.

- Under 3(g), "Peer Review Cycle", a full review of the financial condition reporting (3(c)(7)) is expected to be prepared every three years. No limited annual review is required in the absence of any of the material changes noted in 3(c)(2). The peer reviewer is only expected to prepare reports documenting the findings of the full 3-year review (and any limited annual reviews where material changes have occurred).