



November 14, 2014  
File No.: 78000-03-01  
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**To: All BC Reciprocal Exchanges**

**Re: Adoption of OSFI Guideline E-15: Appointed Actuary**

The purpose of this letter is to inform BC reciprocal exchanges that the Financial Institutions Commission (FICOM) has adopted [Guideline E-15: Appointed Actuary – Legal Requirements, Qualifications and Peer Review](#) issued by the Office of the Superintendent of Financial Institutions (OSFI).

*Guideline E-15* sets out regulatory expectations regarding the role of the Appointed Actuary. Sections 1 and 2 of the guideline largely clarify existing requirements set out in sections 187(1)(c) and 187(4)(b) of the *Financial Institutions Act* (FIA), and section 3 introduces a peer review process comprised of the following elements:

- periodic review of actuarial work by a peer of the Appointed Actuary, normally conducted on a three-year cycle; and
- a limited annual review.

In response to feedback received by stakeholders during the consultation on *Guideline E-15*, FICOM has decided to remove the requirement to conduct a limited annual review in situations where there have been no material changes in the previous year affecting the valuation of policy liabilities and ceded reinsurance assets. A limited annual review will still be expected where material changes have occurred, in addition to the regular three-year review cycle.

For examples on what may constitute a “material change” and further guidance regarding the concept of “materiality” for the purpose of the peer review, reciprocals should refer to the content on pages 8 and 9 of *Guideline E-15*.

Advisory Committees may also choose to require a limited annual review or a full peer review on a more frequent basis within the three-year cycle based on changes occurring in the previous year.

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- Superintendent of Financial Institutions
  - Superintendent of Pensions
  - Superintendent of Real Estate
  - Registrar of Mortgage Brokers

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*Guideline E-15* is effective immediately. The first three-year peer review cycle will commence with the 2015 year end statements, meaning that the first full review is expected to be completed by the year-end of 2017 at the latest.

A detailed list of FICOM's adaptations of OSFI *Guideline E-15* has been enclosed as an appendix to this letter.

If you have any questions regarding FICOM's decision to adopt *Guideline E-15*, please contact Harry James, Director, Policy Initiatives, at [harry.james@ficombc.ca](mailto:harry.james@ficombc.ca). If you have any questions regarding implementation, please contact your FICOM Relationship Manager.

Yours truly,



Frank Chong  
Deputy Superintendent, Regulation

Enclosure

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