

# INSURANCE REPORTING & REGULATION - 2019 UPDATE

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A COMPREHENSIVE UPDATE ON RECENT AND UPCOMING ISSUES FROM OSFI,  
SECURITIES REGULATORS, FINANCIAL ACCOUNTING AND REPORTING

October 22 - 23, 2019 • Toronto

National experts in insurance regulation and accounting address practical matters relevant to ongoing business operations highlight key recent developments, new standards and guidance as well as pending issues including:

- OSFI and Corporate Governance – the New Messages for Boards and Management
- Insurance Industry Regulatory Update
- LICAT – Pending Developments and Lessons Learned To Date
- Market Conduct and Fair Treatment of Consumers
- Model Risk Management and Model Governance – Life and P&C
- Where Can InsurTechs Impact Insurance Reporting and Regulation?
- Cybersecurity and Data Protection Regulation for Insurers
- Reinsurance Update – OSFI Draft Guidance, New Securitization Rules
- IFRS 15 and IFRS 16 for Insurance Companies
- IFRS 17 Updates – Changes, Practical Matters and Project Challenges

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**Program - October 22****9:00 a.m. – 9:05 a.m.****Opening Remarks from the Chair***Dana Chaput, Partner, KPMG LLP***9:05 a.m. – 10:00 a.m.****OSFI and Corporate Governance – the New Messages for Boards and Management***Gordon Piercy, Managing Director Risk Assurance Services,  
PricewaterhouseCoopers LLP*

- Summary of changes introduced by the new 2018 Governance Guideline
- What boards and management should be doing to comply
- Role of board in promoting a “risk culture”
- Taking a closer look at some key terms:
  - culture, challenge, satisfied, sufficient stature and authority, diversity
- Independence of operational management, senior management and heads of oversight functions in smaller organizations – applying proportionality
- OSFI’s assessment of board performance – understanding the criteria and methods for complying
- Pending revisions to E-4A – what can be expected?
- Sources of guidance for fulfilling OSFI expectations
- Specific operational challenges to address for each method
- Disclosure of how measurement of contracts at transition is determined
- Getting ready for 2020 - new emphasis on people and culture risk; what OSFI’s organizational changes could mean to you

**10:00 a.m. – 11:00 a.m.****Insurance Industry Regulatory Update***Koker Christensen, Partner, Fasken Martineau LLP*

- A progress report on the Financial Services Regulatory Authority of Ontario
- Quebec’s Bill 141
- Amendments to Canada’s AML regime impacting life insurers
- Other provincial and federal regulatory developments

**11:00 a.m. – 11:15 a.m. – Morning Networking Break****11:15 a.m. – 12:30 p.m.****LICAT – Pending Developments and Lessons Learned To Date***Na Ta, Principle, Oliver Wyman*

- Brief overview of LICAT framework
  - stricter requirements on the quality of available capital
  - highlight on key risk components
  - control and governance around the LICAT process
- Risk and capital management under LICAT
  - challenges in explaining results to investors
  - considerations for life insurers
    - asset risk charge
    - interest rate risk
    - reinsurance implications
    - internal target capital ratios reassessment for ORSA
- LICAT and IFRS 17
  - expected key principles
  - OSFI’s capital implementation plan
  - potential differences

**12:30 p.m. – 1:30 p.m. – Luncheon****1:30 p.m. – 2:30 p.m.****Market Conduct and Fair Treatment of Consumers***Jay McMahan, Partner, Deloitte LLP*

- **CCIR/CISRO – update on guidance**
  - differences between CCIR/CISRO guidelines and related Federal and provincial initiatives
- **Aspects of Market Conduct and Fair Treatment**
  - key concepts examined from product design to claim settlement
  - use of technology in assisting end-to-end oversight of market conduct and fair treatment of customers
  - meeting the threshold of adequate systems and controls in the selection of intermediaries
- **Regulators and Regulations**
  - practical considerations for applying the regulations within insurance organizations
  - disclosure expectations
  - types of actions taken against life and P&C insurers
  - key issues on the IATIS agenda
- **Risks**
  - emerging risks related to corporate culture and conduct
  - positioning market conduct risk in the enterprise risk framework
- **Challenges**
  - intermediaries and compliance challenges – impact on insurance companies
  - challenges presented by new technologies

**2:30 p.m. – 3:30 p.m.****Model Risk Management and Model Governance – Life and P&C***Alison Rose, Senior Manager, Life Actuarial, KPMG LLP**Anh Tu Le, Executive Director, P&C Actuarial, KPMG LLP*

- Model risk – definitions and scope
- Regulatory framework for insurance liability model governance – OSFI guidelines, actuarial standards of practice
- Model risk management key issues including:
  - different model purposes (e.g. IFRS 17, LICAT/MCT, sensitivities)
  - issues arising from proprietary modelling platforms and “black box” models
  - documentation of modeling decisions and approach (data, methodology, assumptions)
- Effective model governance
  - effective challenge processes and use of model validation and model vetting
  - controls

**3:30 p.m. – 3:45 p.m. – Afternoon Networking Break****3:45 p.m. – 4:45 p.m.****InsurTechs – Where They Can Impact Insurance Reporting and Regulation***Hugh Margey, Senior Manager, Life Advisory, Ernst & Young LLP*

- Overview of insurtech landscape, disrupting vs partnering
- Carrier strategies for engaging with insurtechs
- What are the risks (regulatory and otherwise) of partnering, acquiring insurtechs?
- Regulatory landscape and guidance regarding insurtechs
  - privacy, cyber, fairness & access
  - position on regulatory sandbox for insurtechs
  - importance of dialogue between regulators and innovators
- Where have we seen movement and where are the opportunities

**4:45 p.m. – End of Day 1**

## Program - October 23

9:00 a.m. – 9:05 a.m.

### Opening Remarks from the Chair

*Dana Chaput, Partner, KPMG LLP*

9:05 a.m. – 10:00 a.m.

### Cybersecurity and Data Protection Regulation for Insurers

*Sylvia Kingsmill, Partner and National Leader, Privacy, Regulatory and Information Management, KPMG LLP*

- Cybersecurity reporting under securities regulation
  - OSFI Cybersecurity Advisory – obligations and implementations
  - understanding compliance thresholds for differing regulatory requirements
  - what is a “material” breach and “how” to report it
- How to harmonize with PIPEDA regulatory reporting rules
  - what is a “significant risk of harm” – when is a breach reportable?
- Anticipating a breach – do’s and don’ts
- Risk issues unique to the insurance industry – technology and data
- Privacy and the digital charter

10:00 a.m. – 11:00 a.m.

### Reinsurance Update – OSFI Draft Guidance, New Securitization Rules

*Laurie LaPalme, Partner, Cassels Brock LLP*

- Summary of OSFI Reinsurance Discussion Paper
  - reasons for framework review
  - objectives and guidelines
  - key categories for review
    - large exposure / counterparty concentration risks
    - capital framework
    - clarifications to Guideline B-3 and other adjustments
- Practical implications for the future of reinsurance in Canada
- Issues raised by comments to OSFI
- Asset Securitization (Guideline B-5) implementation
  - overview of the new rules
  - operational and qualitative requirements
  - capital requirements for insurers that invest in / sponsor securitizations
  - understanding insurer’s credit risk exposures

11:00 a.m. – 11:15 a.m. – Morning Networking Break

11:15 a.m. – 12:15 p.m.

### IFRS 15 and IFRS 16 for Insurance Companies

*Maisie Ho, Senior Manager, Ernst & Young LLP*

*Daniel Willmann, Senior Manager, Ernst & Young LLP*

- Determining revenue from contracts that fall outside IFRS 17
- IFRS 17 unbundling requirements – what must be captured?
- Key IFRS 15 concepts applied to insurance transactions

- Impact on current KPIs and business practices
- Accounting for variable consideration - defining terminology
  - expected value or most likely outcome
- Bifurcation of asset management services – interaction with IFRS 9
  - upfront fees - timing of transfer of services to customer
  - ongoing fees - determining timing of revenue recognition
  - surrender penalties
- Contract costs – costs to fulfill vs. incremental costs to obtain a contract
- Bridging the gap – implementation and transitions issues up to 2021
- New and interim disclosures
- IFRS 16 lease accounting issues for the insurance industry
- Separating lease vs. non-lease components
- Impact of capital adequacy
  - life
  - property and casualty
  - mortgage insurances

12:15 p.m. – 1:15 p.m. – Luncheon

1:15 p.m. – 2:15 p.m.

### IFRS 17 Updates – Changes, Practical Matters and Project Challenges

*Bobby Thompson, Senior Manager, Ernst & Young LLP*

- How is the accounting framework changing from IFRS 4?
- What does this mean for KPIs and evaluating the business?
- What changes will be required to the IT architecture and where are the project costs being spent?
- Should we be targeting minimal compliance? Finance transformation? Something in between?
- What does each functional leader within the company need to know about IFRS 17 and why do non-accountants need to be knowledgeable?
- Practical issues being encountered in implementation

2:15 p.m. – 3:15 p.m.

### Tax and Tax Accounting Update

*Nunzio Tedesco, Partner and Insurance Industry Tax Practice Leader, KPMG LLP*

- CRA audit and review activities in the insurance industry
- Update on tax developments of specific concern to Canadian insurers
- Tax impact of IFRS 17
- IFRS 17 compatibility with current tax rules
- Issues that need to be resolved by CRA and Finance – what to do in the interim to plan
- Tax issues presented by other IFRS standards: 9, 15, 16
- IFRIC 23 considerations
- OECD and Canadian tax rules affecting transfer pricing in insurance operations

## End of Conference

### Who Will Be There:

- Chief Financial Officers
- Chief Accounting Officers
- Chief Risk Officers
- Controllers
- VPs, Directors and Managers
  - Actuarial Accounting
  - Financial and Regulatory Reporting
  - Finance
  - Regulatory Compliance
- Risk Managers
- Actuaries
- Internal Auditors
- Audit and Assurance Professionals
- Industry Regulators and Standard Setters
- Corporate Counsel
- Financial Services Regulatory Lawyers

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