



Stephen Frank
President and CEO

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British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission (New Brunswick)

Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Superintendent of Securities, Nunavut

Delivered via email

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Dear Sirs and Mesdames,

Re: CSA Second Notice and Request for Comment Proposed National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosure (the “Proposed Instrument”); Proposed Companion Policy 52-112 Non-GAAP and Other Financial Measures Disclosure (the “Proposed Companion Policy”); Related Proposed Consequential Amendments and Changes, together the “Consultation”

The Canadian Life and Health Insurance Association (CLHIA) is pleased to provide comments on the above Consultation. The CLHIA supports the overall goal of establishing high quality disclosure requirements for non-GAAP financial measures that provide users with high quality financial information promoting clearer understanding of financial performance of our members and public companies. We believe our comments below, if addressed, will enhance the clarity of the final notice and will allow our members to comply with the requirements efficiently. In addition, it is important that the CSA align its requirements with the International Accounting Standards Board’s guidance dealing with non-GAAP reporting – helping reduce the burden and confusion for reporting entities.

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The CLHIA is the national trade association for life and health insurers in Canada. Our members account for 99% of Canada's life and health insurance business. The industry provides a wide range of financial security products such as life insurance, annuities and supplementary health insurance. Canadian life insurers operate in more than 20 countries and a number of our members are publically traded companies or subsidiaries of publicly traded companies with three of them being ranked among the top 15 largest life insurers in the world by market capitalization.

The Proposed Instrument should provide a specific exemption for a financial measure that is prepared in accordance with mandatory guidelines published by a governmental authority.

The Proposed Instrument and Proposed Companion Policy do not clearly exclude from the scope of the Instrument a financial measure that is prepared in accordance with mandatory guidelines published by a governmental authority. Currently, the Proposed Instrument provides an exemption for disclosure of a financial measure that is required under law or by an Self-Regulatory Organization ("SRO") of which the issuer is a member. This exemption does not capture the financial measures that Canadian life insurance companies are required to prepare under mandatory guidelines published by the Office of the Superintendent of Financial Institutions ("OSFI") or Autorité des marchés financiers ("AMF").

Canadian life insurance companies prepare and disclose financial measures in compliance with regulatory guidelines published by OSFI or AMF. We submit that there is no policy rationale to treat this disclosure different than financial measures that are required to be disclosed under law or by an SRO because the guidelines published by OSFI or AMF specifically prescribe the composition of the financial measure and Canadian life insurance companies cannot opt out of preparing these financial measures. For example, information relating to a life insurance company's capital is important to both investors and the analyst community. Federally regulated Canadian life insurance companies are required to maintain adequate levels of capital calculated in accordance with OSFI's guideline for the Life Insurance Capital Adequacy Test ("LICAT") while life insurance companies regulated by the AMF are required to maintain an adequate level of capital adequacy requirements for life insurers ("CARLI"). They disclose LICAT or CARLI information (such as relevant ratio and capital) to investors and in documents filed with securities regulators.

Further, the calculations for LICAT/CARLI as set out in the relevant guidelines are complex and it would not be feasible to do a GAAP reconciliation that is meaningful to investors.

Canadian life insurance companies also prepare and disclose to investors Source of Earnings, identifying the primary sources of gains or losses in each reporting period following regulatory guidelines and in accordance with educational notes published by the Canadian Institute of Actuaries.

Therefore, we respectfully request that the Proposed Instrument include a specific and clear exemption for disclosure of a financial measure that is prepared in accordance with mandatory guidelines published by a governmental authority.

The Proposed Instrument should allow news releases to cross-reference to the MD&A

We agree with the CSA's approach of introducing a form of cross-referencing back to an issuer's MD&A through incorporating information by reference. However, the revised version of the Proposed Instrument prohibits issuers from incorporating information by reference into a news release issued or filed by the issuers and this creates complexity and conflicts with the goal of easing regulatory burden. We believe that incorporating information by reference should be permitted in all news releases, particularly where the news release is an earnings news release that is issued contemporaneously with or promptly following the filing of the issuer's MD&A. The prohibition on incorporating by reference into a news release will impose unnecessary compliance burdens and costs on issuers, will result in more repetitive and voluminous news releases and will not impact the substance of the information that is readily available to investors. Permitting issuers to cross-reference their news releases to the MD&A gives investors a more readable and user-friendly access to specified financial measures disclosure and allows issuers to present simplified news releases.

The Proposed Instrument should permit reconciliation of specified financial measures that are segment measures to the segment note to the financial statements

Under IFRS, Canadian life insurance companies are required to provide reporting of the operating segments of the company in a note to the financial statements. The segment note discloses financial measures for the company's discrete reportable segments and includes a quantitative reconciliation of the total of the segment measures to the most comparable financial measure presented in the company's primary financial statements.

Canadian life insurance companies also disclose financial measures of a reportable segment that are not presented in the financial statements in documents outside of the financial statements that would meet the definition of a non-GAAP financial measure under the Proposed Instrument. Section 6 of the Proposed Instrument provides that when an issuer discloses a non-GAAP financial measure, the issuer must present a quantitative reconciliation to the most comparable financial measure presented in the primary financial statements of the entity. We respectfully submit that the Proposed Instrument should permit an issuer to reconcile a segment measure that is non-GAAP financial measure to the most directly comparable financial measure in the segment note to the financial statements.

As a general comment, the differential treatment of the primary financial statements and the notes is confusing and inconsistent with accounting standards which view the primary financial statements and the notes as one set of complete financial statements. Measures that are disclosed in the notes to the financial statements are presented in accordance with the requirements under GAAP. Accordingly, issuers should be permitted to present a reconciliation of a non-GAAP financial measure to the notes, without having to further reconcile to the primary financial statements.

Specifically, for companies that disclose segment measures that are non-GAAP measures, the issuer should be permitted to perform a reconciliation to the segment note without requiring a further reconciliation to the primary financial statements due to the reconciliation already provided for in the segment note. Requiring a reconciliation of segment non-GAAP measures to line items in the primary financial statements would create drawn-out and bulky disclosure without providing meaningful additional disclosure to investors. We respectfully request that the Proposed Instrument be revised to permit reconciliation of segment measures that are non-GAAP financial measures to the segment note in the financial statements.

The CLHIA appreciates this opportunity to provide its comments on the proposed Rules. If you require any additional information, please contact Noeline Simon, Vice President – Taxation, Pension and Reporting by email at nsimon@clhia.ca or by telephone at 416-359-2047.

Yours sincerely,

Stephen Frank