



News Release

For Immediate Release

OSFI issues the final version of the *Life Insurance Capital Adequacy Test (LICAT)* guideline

OTTAWA – September 12, 2016 – Office of the Superintendent of Financial Institutions Canada

The Office of the Superintendent of Financial Institutions Canada (OSFI) has issued the final version of its *Life Insurance Capital Adequacy Test (LICAT)*, a capital adequacy guideline for federally regulated life insurance companies.

Effective January 1, 2018, the LICAT guideline will replace the *Minimum Continuing Capital and Surplus Requirements (MCCSR)* guideline, in place since 1992. OSFI developed the LICAT to better align capital and risk measures with the economic realities of the life insurance business, while taking into account international advancements in the development of solvency frameworks.

The Guideline was developed in consultation with life insurers and other industry stakeholders, notably Quebec's financial services regulator, l'Autorité des marchés financiers (AMF), and Assuris, a not-for-profit organization that protects Canadian policyholders should their life insurance company fail.

Under the LICAT, the amount of capital required to be held in the life industry, as a whole, is not expected to change significantly compared to that required under the MCCSR. However, the new framework may require individual institutions to evaluate their overall plans based on the business lines in which they are engaged, the risks they choose to take on and how these are managed.

The final version of the guideline incorporates several revisions resulting from comments received during the six week public consultation process, which ended on May 9th.

Similar to the MCCSR, OSFI will regularly review the effectiveness of the LICAT guideline and update it to keep abreast of developments in the life insurance industry and evolving risk measurement and management practices.

Quote

"The LICAT guideline represents an important evolution in OSFI's regulatory capital expectations", noted Superintendent Jeremy Rudin. "It provides a risk-based capital framework that will continue to protect policyholders, while allowing the industry to compete and take reasonable risks."

Associated Links

- [Cover letter](#) (Note: A summary of the comments received during the public consultation referred to above is included in the cover letter).
- [Guideline Impact Analysis Statement](#)
- [Guideline](#), *Life Insurance Capital Adequacy Test*

About OSFI

[The Office of the Superintendent of Financial Institutions](#) (OSFI) is an independent agency of the Government of Canada, established in 1987, to protect depositors, policyholders, financial institution creditors and pension plan members, while allowing financial institutions to compete and take reasonable risks.

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